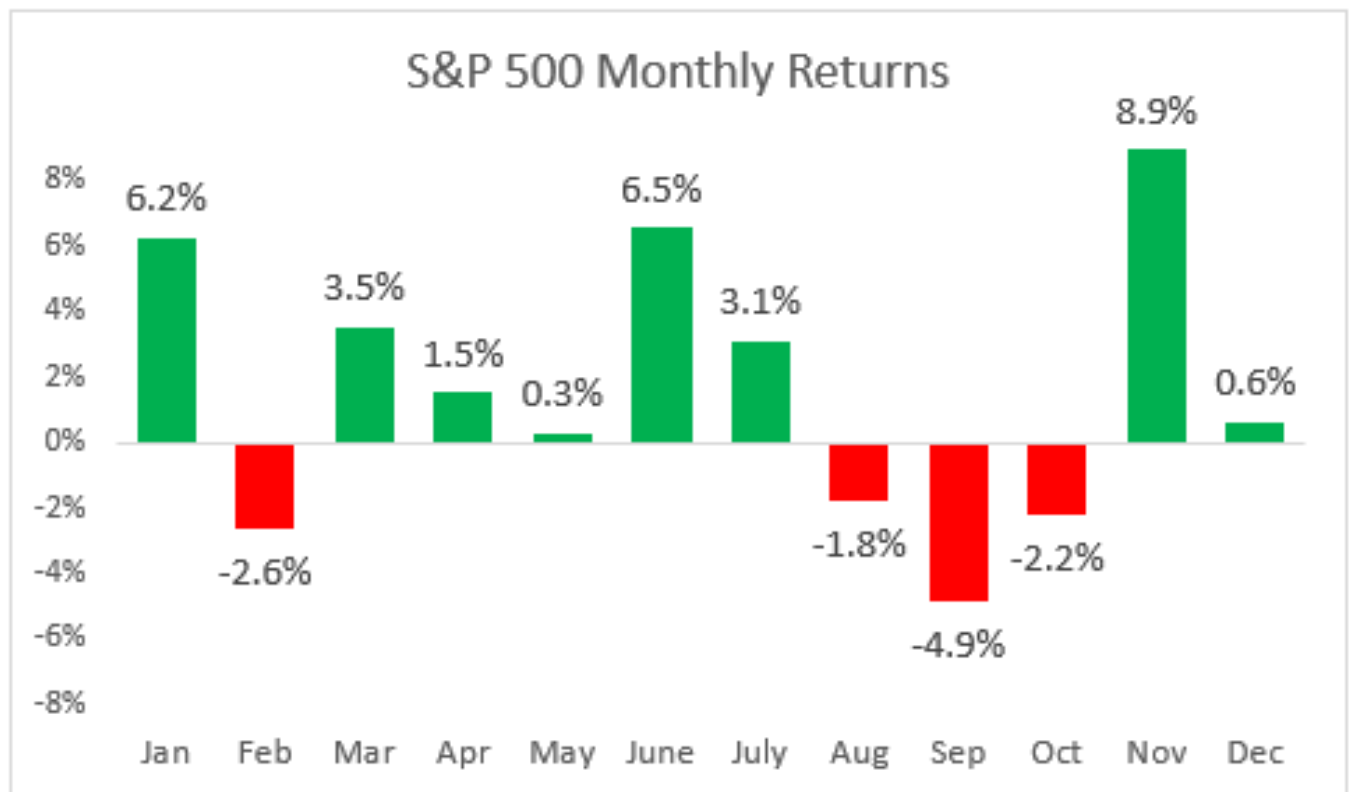


As Stocks Surge Higher, Here's How to Watch for the Turnaround Stories

The stock market just posted its best November performance since Ronald Reagan was elected to his first term as President.

The S&P 500 Index surged 8.9% higher last month. That's the second-best November gain since 1980 – surpassed only by the post-pandemic market gains in November 2020 (10.8%).



What's more, November traditionally kicks off the best six-month period of the year for stock market gains. But the best-performing stocks and sectors over the next six months might surprise you.

To make a good, educated guess at which sectors and stocks might come out on top, a great place to start is the past month's performance.

Some sectors have been performing consistently well all year long: Technology and Consumer Discretionary sectors are perfect examples. So, it's no real surprise that they continued to perform well last month, as you can see in the table below.

Sector performance

GICS Sectors	November	2023	vs. 52-week Low
Technology	12.9%	52.0%	55.2%
REITs	12.3%	3.5%	15.8%
Consumer Disc.	10.9%	34.1%	36.2%
Financials	10.7%	6.2%	17.4%
Industrials	8.8%	10.4%	12.1%
Basic Materials	8.4%	7.6%	10.4%
Communications	7.8%	48.7%	51.4%
Healthcare	5.4%	-2.2%	6.9%
Utilities	5.2%	-8.8%	13.8%
Staples	4.1%	-2.1%	8.1%
Energy	-1.0%	-1.3%	12.0%
S&P 500	9.1%	20.8%	21.3%

Source: Nasdaq.com

What I'm more interested in are the outliers, especially the surprisingly good performance from bad sectors. Specifically, I want to see sectors and stocks that have had a rough year in 2023, but suddenly seem to be turning around with strong recent performance.

You can see from the table that tech and consumer stocks are two of the three best-performing market sectors this year.

And they kept on chugging higher in November, up 12.9% and 10.9%, respectively. Just as you might expect.

Also note this year's worst-performing sectors – health care, utilities, consumer staples, and energy – kept underperforming last month. Again, no surprise.

But notice there are two other out-of-favor sectors that topped the leaderboard in November: REITs and Financials, up 12.3% and 10.7% last month, respectively.

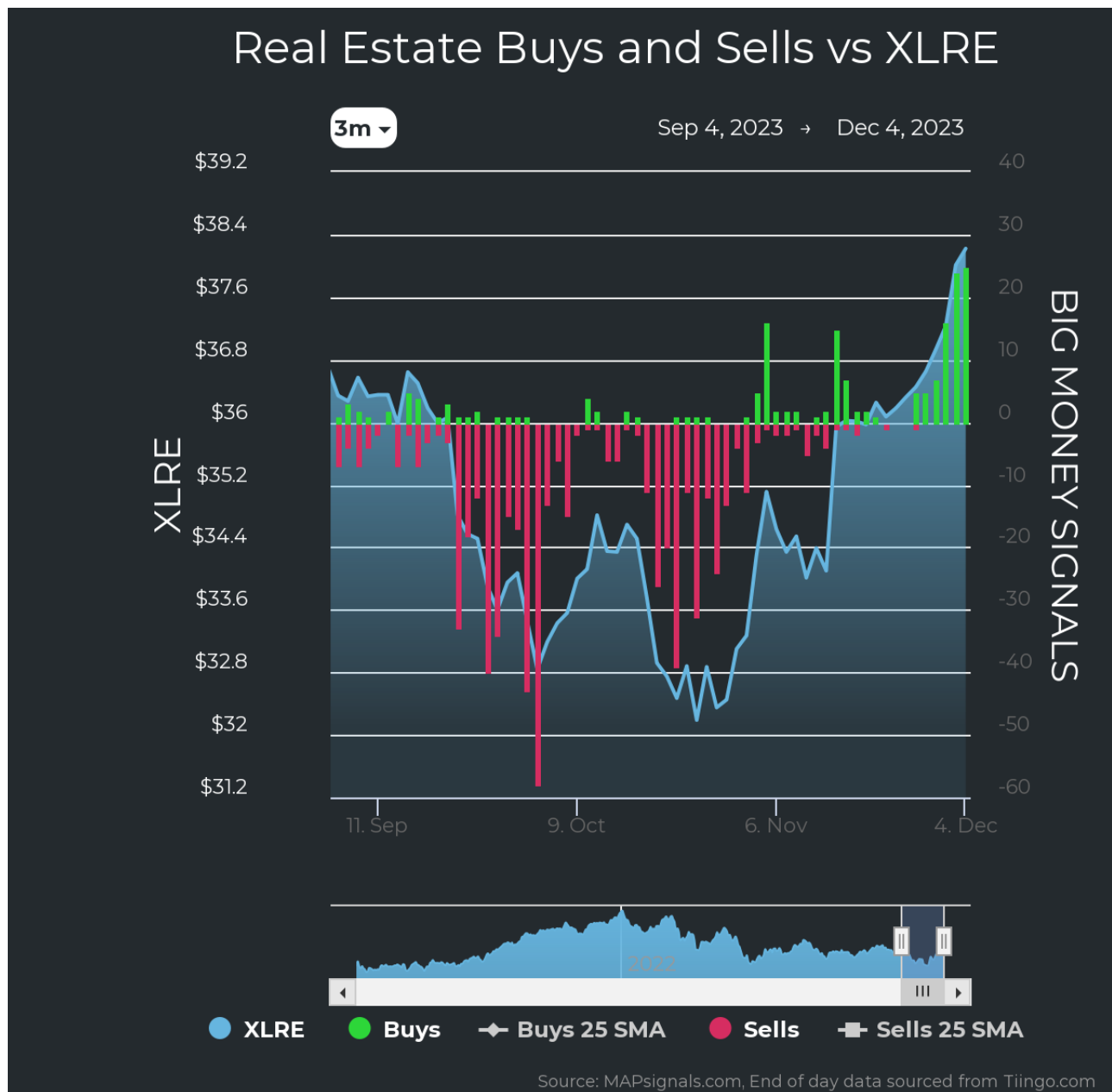
REITs (or real estate investment trusts) are up only 3.5% this year, and that's including the big November gains. Financials likewise climbed out of the red with last month's gains but are still up just 6.2% year-to-date.

Plus, not shown in the table above is the fact that both REITs and Financials are coming off losing years in 2022 also. REITs were down 26.1% last year and Financials fell 10.6%. So, here we have two sectors that have really been stinking up the stock market for two years straight.

But in a surprising reversal of fortune, these two sectors really turned things around last month.

In fact, my colleague and friend, Jason Bodner, tracks what he calls "Big Money" buys by institutional investors – not just for individual stocks, but for sectors, too. These are the transactions that move the market, the type of trend we want to follow.

Here's a chart showing the Big Money buys (and sells) in Real Estate over the past three months. You can see very clearly what's been driving the upward movement recently via the green "buy" lines below. And – just as important – don't miss the virtual disappearance of the red "sell" lines.



Could this be just the start of a sustained uptrend for REITs and Financials? Only time will tell for sure, but it's a great place to start prospecting for possible 2024 winners.

Today I'll show you how to start your prospecting using our exclusive *TradeSmith* Screener tools.

Finding Your Favorites for 2024

Sign in to *TradeSmith Finance*. Then click on the **Invest** menu at the top, then the **Screener** tab.

Next, click on **+ Create new screener**. As always, there are several pre-built *TradeSmith* screens for you to choose from. But let's create our own to zero in on potentially undervalued stocks in these turnaround sectors. (My Screener may look a little different from yours, since I have Platinum-level access.)

The screenshot shows the TradeSmith Finance interface. At the top, the navigation bar includes 'Dashboard', 'My Portfolios', 'Markets', 'Invest' (highlighted with a green box), 'Options', 'My Services', 'Calendar', 'Pubs', and 'Baskets'. Below the navigation bar, there is a '← BACK' link. The main section is titled 'Create new screener' (with a green arrow pointing to it) and includes a '+ Manage Filters' link (with a green arrow pointing to it). The 'TradeSmith Strategies' dropdown menu is open, showing 'x Value' (with a green arrow pointing to it). Below this, there is a text field 'First qualified for the selected strategies within the last' followed by a calendar icon and 'calendar days.' The 'Markets' section shows 'x S&P 500 (SPX) +' (with a green arrow pointing to it). The 'Sectors' section shows 'x Financials' and 'x Real Estate' (with a green arrow pointing to it). The 'Display & Sort Results' section includes 'Show top' with a dropdown set to '250', 'Sort results by' with a dropdown set to 'Strategies' (circled in green), and 'DESC' with a dropdown. At the bottom right, there is a green arrow pointing down to the 'Run Screener' button. Other buttons include 'Save As New' and 'Save Changes'.

Warren Buffett always insists on a “margin of safety” before investing in a stock. That’s great advice.

And a great way to uncover undervalued stocks with a margin of safety is by tapping into our *TradeSmith* Value strategy.

And that brings me to one of the key filters for the screen shown above. Click on **TradeSmith Strategies**, then in the dropdown menu, click on **Ideas Lab** and select **Value**.

To qualify for our Value strategy, a stock must meet the following fundamental requirements:

- Earnings per share must be positive
- Sales must be positive
- Book value-to-price should be low

Our algorithms also measure the volatility in each stock along with its normal, expected market health. We call these the Volatility Quotient and Health Indicators.

Stocks with a lower VQ typically have lower risk. So, for our value screen, the system will remove any investment with an average VQ above 40%.

We also remove any positions that are not in the Health Indicator Green Zone from our value screen. Finally, the stock can't be trading at a loss since it entered the Green Zone.

So, you get all these important filters in one simply by selecting our *Ideas* Value strategy.

Plus, let's add the following filters to your screen by clicking on the **+ Manage Filters** tab you see at top left.

Under **General**, check **Markets** and **Sectors**, then the **Save & Close** button. When you're back on the Screener page, select **S&P 500 (SPX)** for your Market.

You could screen among other markets, but here I'm sticking with the blue-chip, large-cap stocks found in SPX.

The other important filters to add, under Sectors, are **Financials** and **Real Estate**. That way we can focus on undervalued stocks in the two sectors that enjoyed a big turnaround in performance last month.

Now, be sure to save your work by clicking on **Save As New** so you can revisit this screen later.

And before you click on **Run Screener**, be sure to set **Display & Sort Results** by **Strategies DESC** (descending). This will ensure that the top-ranked **Value** stocks from these sectors will be displayed at the top.

When I ran this screen this week, I got 16 healthy value stocks in the Financials and Real Estate sectors. This timesaving screen is a great starting point for your own homework. Here's a sample of my results.

[Saved Screeners](#) (16 results)

☐	Ticker	Rating	Health ⓘ	VQ%	Avg VQ%	P/E Ratio	Trailing Divi...	Market Cap	Sector	Latest Close
☐	TRV Travelers Cos	Strong Bullish	▶ 2w+	17.53%	19.75%	19.40	0.02%	\$41.6B	Financials	\$181.98
☐	PRU Prudential Finan	Bullish	▶ 4m+	21.67%	28.45%	58.37	0.05%	\$35.3B	Financials	\$97.74
☐	PGR Progressive (Ohi	Strong Bullish	▶ 2m+	18.96%	20.44%	34.82	0.002%	\$95.0B	Financials	\$162.46
☐	WY Weyerhaeuse REIT	Bullish	▶ 3w+	21.87%	21.13%	36.90	0.02%	\$23.2B	Real Estate	\$31.74
☐	HST HOST HOTELS REIT	Strong Bullish	▶ 2w+	27.80%	28.24%	8.04	0.03%	\$12.5B	Real Estate	\$17.72
☐	BXP Boston Prop REIT	Bearish	▶ 3d	26.53%	21.14%	51.70	0.06%	\$9.9B	Real Estate	\$63.28

Mike Burnick's Bottom Line: When searching for potential stock investment ideas, I'm always looking for the outliers. This includes sectors and stocks that could be strong turnaround stories in terms of performance. Our *TradeSmith* sector and strategy filters can help you do just that with an easy stock screener you can put together with just a few mouse clicks.

Good investing,



Mike Burnick
Senior Analyst, *TradeSmith*