In the Pursuit of Perfect: This Indicator Has Never Failed -- and It's Bullish

Let me start today with a short (I promise) detour into the world of football.

Coming into the 2023 season, Patrick Mahomes was pegged to be the top-rated quarterback for the season. And as the QB for the defending Super Bowl champion Kansas City Chiefs, that makes sense. But halfway through the season he's currently ranked second to a guy with the unenviable title of 2022's "Mr. Irrelevant": Brock Purdy of the San Francisco 49ers, who was the last player chosen in his draft class.

I won't bore you with his stats, but Purdy – who, as that title suggests – was never expected to be more than someone's backup. But he led his team to the NFC Championship and played for the right to go to the Super Bowl earlier this year after the team's starting QB was injured.

We'll see how the rest of the season plays out, but one thing is true. NFL football makes it easy to spot the exceptional. But even as we watch it every week on TV, we know that level is incredibly difficult – if not impossible – to attain.

Take for instance my beloved Miami Dolphins.

I've been a "Fins" fan since I moved to South Florida in the '80s, during Dan Marino's heyday. But I first remember watching the team when they achieved the previously impossible feat of a perfect season. If you're like me and remember that inspired 1972 season, you'll recall that not only did the 16-0 Dolphins win the Super Bowl (for 17 total season wins), but they appeared in the Super Bowls before and after as well.

Some sports fans like to cheer on the underdog, while others appreciate excellence in a dominant team. I follow football teams the same way I follow stocks – I look for those that are exceptional.

Exceptional Stocks and Another Perfect Record

Last week I pointed out that a rare and very bullish buy signal, one that – like those '72 Dolphins – has a perfect track record, flashed for the stock market: a Zweig Breadth Thrust. This signal has only triggered 15 other times since 1950, and the S&P 500 averaged gains of 15% in just six months after the signal. Plus, stocks were up 23.3% on average a year later.

On Nov. 3, the breadth signal flashed for time No. 16.

I expect this bullish breadth signal to be just the start of the next big rally phase for the stock market.

And the best way to make the most of it is by using our proven *TradeSmith* tools to find the best stocks to ride this rally.

However, "best" can be a subjective term and can sometimes be misleading. That's why at *TradeSmith*, our tools, indicators, and algorithms are based on cold, hard facts. They're based on data, not intuition. They're objective, not subjective.

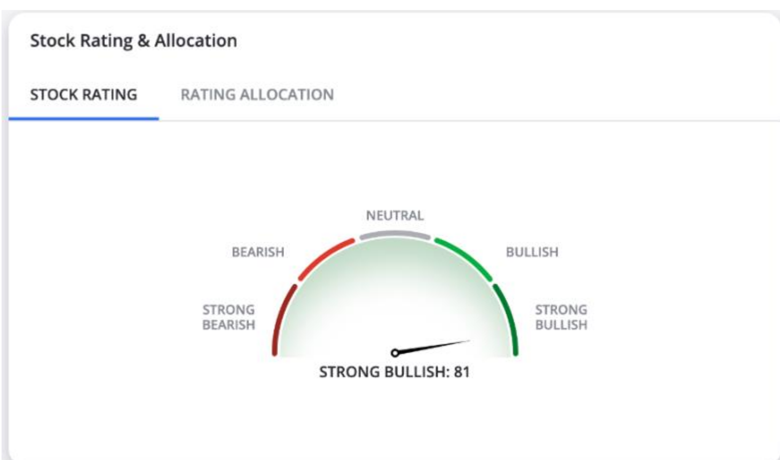
Based on my frequent columns for *Inside TradeSmith*, I suspect you already know some of my favorite indicators very well.

- Our color-coded **Health Indicator** that represents the full life cycle of stocks based on how each one performs relative to its historical volatility.
- The **Smart Moving Average (SMA)** indicator, which shows you at a glance if a stock's trend is your friend (another foundational rule from our friend Marty Zweig).
- And our **Business Quality Score (BQS)**, which ranks almost every stock we track by 21 proven metrics.

There is plenty of profit potential to be found in stocks that earn high marks according to these three indicators alone. In fact, that third one is partnered with a powerful – and sometimes overlooked – indicator you should certainly add to this list within our ***Ratings by TradeSmith*** tool.

It's a quick and very effective gauge that captures the overall sentiment about stocks we track based on 9 underlying fundamental and technical factors. Every stock in our database earns one of five simple ratings categories.

- Strong Bullish
- Bullish
- Neutral
- Bearish or
- Strong Bearish



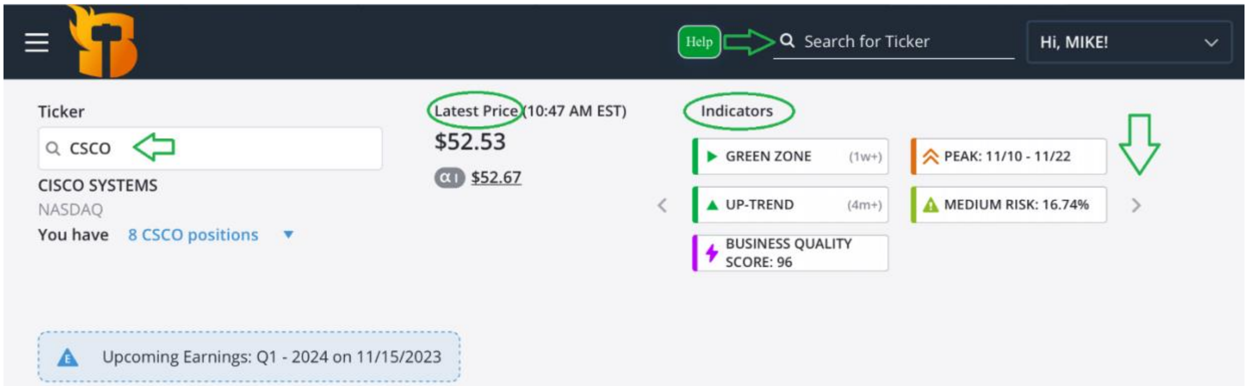
This easy-to-read indicator can give you an extra level of conviction for any stock you're considering.

How to Find *Ratings by TradeSmith*

Let's take a deeper dive into how our *Ratings by TradeSmith* indicator is built, then we'll incorporate it into our **Screener** tool to find some of the best stocks in our database.

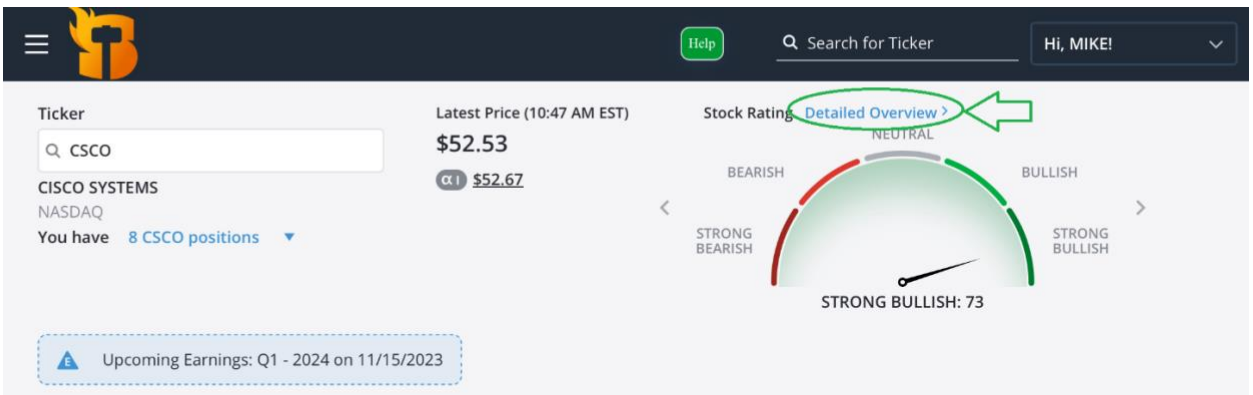
To find the Ratings data for any stock, be sure you're logged in to ***TradeSmith Finance,*** then type any ticker symbol of your choice into the Search for Ticker box at the top right of the screen. (Note, you'll need a subscription to *Ratings by TradeSmith* or *TradeSmith* Platinum to access this data.)

I'm using computer networking giant **Cisco Systems (CSCO)** in this example, as it's a stock I'm currently aiming to buy at a discount in my *Ultimate Income* service.



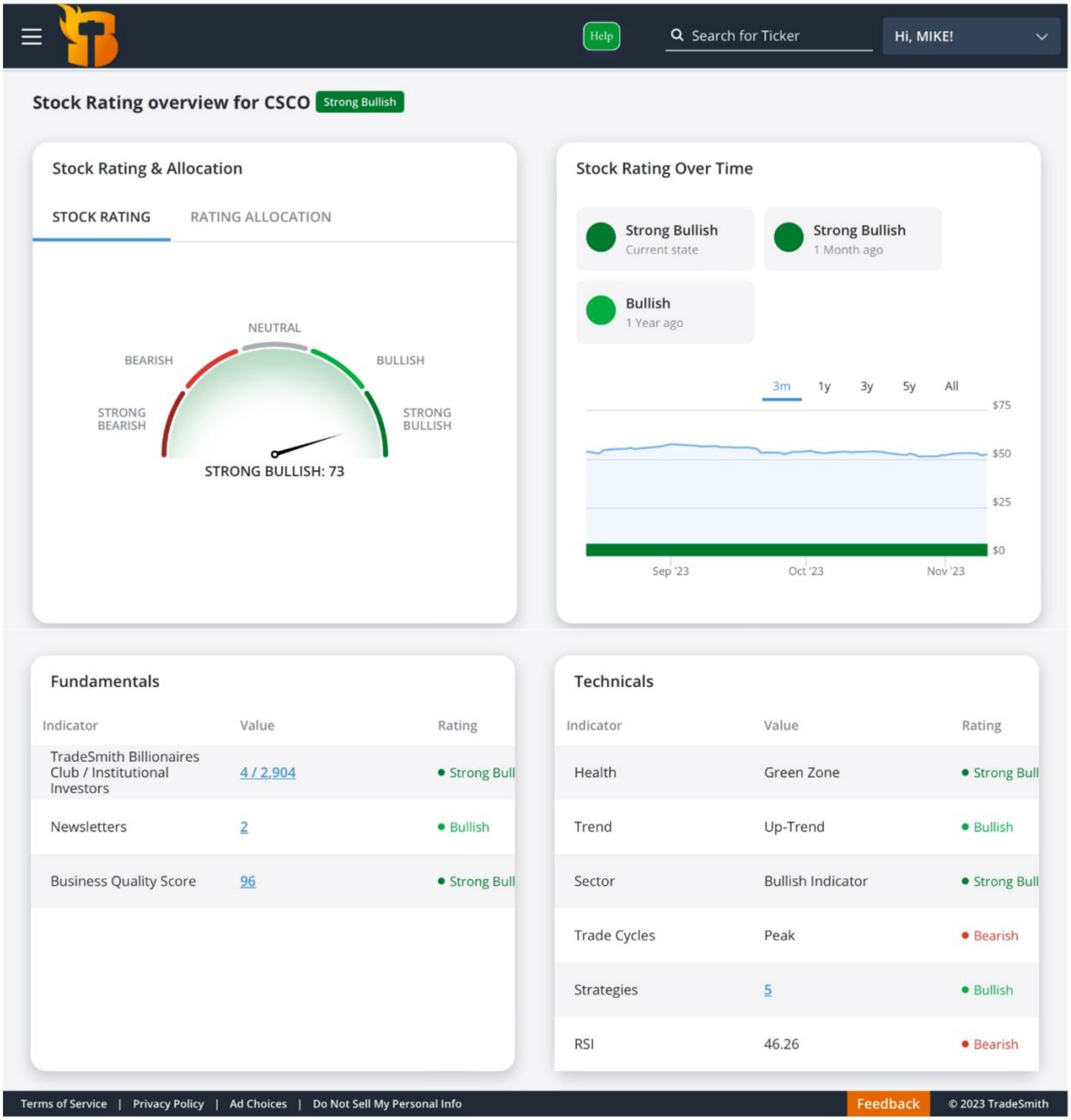
At the top of the Stock Analyzer page, you'll find key information on CSCO including the latest price and a dashboard summary of our indicators to the right. This includes the health, trend, risk, and current Timing cycle.

Now simply click on either the left or right arrows to bring up the Ratings speedometer, as shown below.



At a glance you can see that CSCO is rated Strong Bullish. Also shown is the individual rating score for CSCO (73), which is very high -- landing the stock solidly in the Strong Bullish camp.

Now, for even more detailed data, click the blue link that reads "Detailed Overview" just above the speedometer. That takes you to the Stock Rating page.



As you can see, there are four sections to the Ratings detail page. At top left is the speedometer, and at top right is the stock rating over time. So, you can quickly see the progression of ratings changes for the stock over various time frames.

The two bottom sections give you details about the factors that go into the rating score itself. On the right are the Fundamental factors, including the Billionaires Club and Institutional Investor holdings. You can see CSCO is owned by four billionaires, a bullish sign, and 2,904 institutions.

Also included under Fundamentals are any newsletters you follow that also hold CSCO shares.

Last but certainly not least is the BQS. Note that you can click on any of the links (in blue) to get more info, such as which billionaires own the stock, and the factors that make up the BQS.

Finally, at bottom right are the technical factors that go into the rating: health, trend, sector, timing, strategies, and the **Relative Strength Index (RSI)**. In the middle column you can see the current value for each indicator, and in the right column, how that indicator contributes to the current rating.

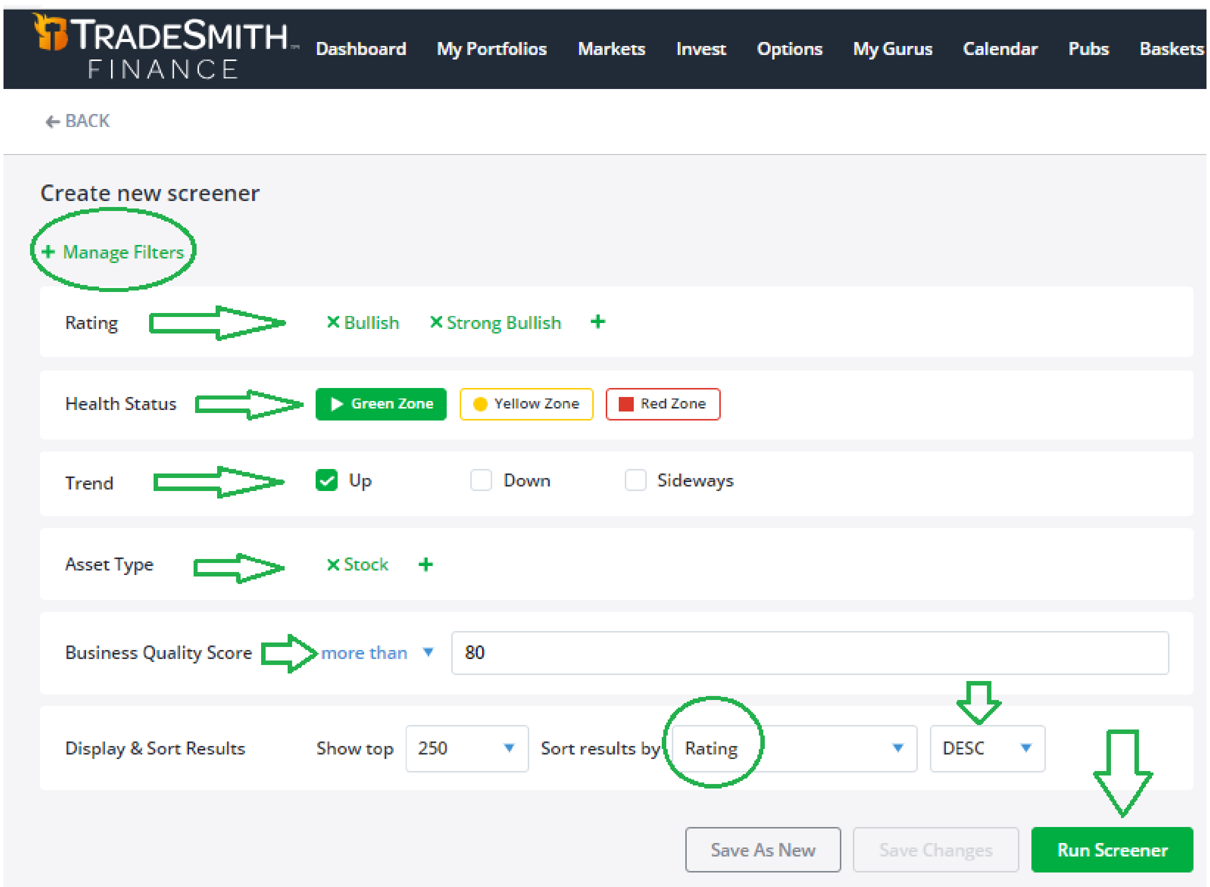
For instance, CSCO's health is Strong Bullish and Trend is Bullish, but if you skip down, its Trade Cycle is Bearish because the stock is at a potential price peak. The RSI is also bearish right now.

Now that you know all the factors that go into our powerful *Ratings by TradeSmith* tool, let's add it to our arsenal of filters to screen for top-rated stocks. Here's how.

How to Use Ratings with Our Screener

From the main menu of the *TradeSmith Finance* platform, click on **Invest**, select **Screener**, and click the **+ Create New Screener** button. Below is a screenshot of the filters I selected for this screen.

Simply click **+ Manage Filters** and select these or any other filters you may want to use.



Remember, I have access to *TradeSmith* Platinum, so your settings may look different from mine. Here are the key filters I selected for this screen.

- **Rating:** Bullish or Strong Bullish

- **Health Status**: Green Zone only, just the healthiest stocks
- **Trend:** Up only, again to narrow the screen to just the best
- **Asset Type:** Stocks
- **Business Quality Score:** more than 80, to further narrow the list to only the top 20%
- **Display & Sort Results:** Set your display to **Rating** and **DESC** (descending)

For this screen I got 129 results, which means a I have further research to do. So, you may want to consider adding other filters to narrow down your list even more.

For example, you may want to select some Fundamental filters such as low P/E Ratio, high Forward Dividend Yield, or high Free Cash Flow.

Here's a screenshot with a partial list of my results.

Saved Screeners (129 results)

Ticker	Rating	Health	VQ%	Billionaires	Strategies	Volume	P/E Ratio	Trailing Divi...	Market Cap	Sector	Latest Close
GOOGL Alphabet-A	Strong Bullish	3m+	24.53%	13	3	26,927,826	16.74	N/A	$784.7B	Communication Ser...	$132.59
FI Fiserv, Inc.	Strong Bullish	1w+	20.21%	4	4	2,093,765	25.48	N/A	$72.9B	Information Techno...	$121.51
FAST Fastenal	Strong Bullish	7m+	17.95%	1	3	3,124,287	30.31	2.33%	$34.3B	Industrials	$60.01
EXEL Exelixis	Strong Bullish	2m+	25.91%			1,762,544	74.00	N/A	$6.5B	Health Care	$21.00
ERIE ERIE INDEMNITY-A	Strong Bullish	2w+	19.71%	1	5	73,676	36.34	1.71%	$12.9B	Financials	$278.36
DECK DECKERS OUTDOOR	Strong Bullish	1y+	31.62%	1		263,326	27.27	N/A	$16.3B	Consumer Discretio...	$632.74
COST Costco Whsl	Strong Bullish	4m+	17.26%	2	2	1,909,263	40.77	0.69%	$255.5B	Consumer Staples	$577.12
COKE Coca-Cola Consol	Strong Bullish	2w+	26.28%	1		30,178	14.18	0.29%	$6.9B	Consumer Staples	$680.00
CSCO Cisco Systems	Strong Bullish	1w+	16.74%	4	5	17,373,584	17.12	2.21%	$213.2B	Information Techno...	$52.59

CSCO made the cut, of course, and so did another stock, **Fastenal (FAST),** that I'm aiming to buy at a discount for my *Ultimate Income* service. Other notable names on the list include Google-parent **Alphabet (GOOGL)** at the top and **CostCo Wholesale (COST)**.

Mike Burnick's Bottom Line: Our ***Ratings by TradeSmith*** indicator is another powerful tool for your stock-evaluation arsenal. It works wonders and can be combined with other key filters when using our exclusive Screener tool to find the best potential stock investments poised to rally.

Good investing (and Fins up!),

Mike Burnick
Senior Analyst, *TradeSmith*

P.S. If you have any questions or concerns, please reach out to me at **emailmikeburnick@tradesmith.com** and include "Inside TradeSmith" in the subject line.