

How to Find the Stocks That'll Lead the Market Rebound

Despite a terrific 16.3% year-to-date gain in the S&P 500, the “higher for longer” interest-rate narrative is hanging over markets like threatening thunderheads.

And the next Federal Reserve policy meeting is just a few weeks away.

According to fed funds futures, markets give better than 90% odds that central bank policymakers will stand pat at their Sept. 20 meeting. But when it comes to interest-rate increases, the Fed has gone too far too many times in the past – triggering stock-market turmoil and painful recessions that consumers and investors pay the price for.

As dour as that sounds, there's a true silver lining here: All that higher-for-longer Fed anxiety – in tandem with August's stock-market rout – has set the stage for a potentially strong rebound rally through the end of the year.

And with our powerful tools, *TradeSmith* insiders like you can identify the very best candidates for cashing in on this market rebound.

In my last *Inside TradeSmith* column, I showed you how to use our proprietary [Low Risk Runners strategy](#) to find lower-risk buy prices for potential trades. (Be sure you're logged in to *TradeSmith Finance* to access previous columns.)

Another of our proven strategies is ideal for identifying winning trades just in time for a stock-market bounce back: **Timing RSI Rebounds**. Subscribers to *Trade Cycles by TradeSmith* can quickly and easily identify rebounding stocks.

RSI Rebounds is based on the Relative Strength Index (RSI), a widely used technical-analysis indicator that's included in most online stock-charting software. And it's a key feature built into *TradeSmith Finance*.

Developed by Welles Wilder in the 1970s, the RSI is a momentum indicator that measures the magnitude of recent price changes to tell you if a stock is “overbought” (and susceptible to correction) or “oversold” (and due for a rebound).

You can apply RSI to *any* security – including stocks, ETFs, sectors, commodities, and even broad market indexes such as the S&P 500. I'll use “stocks” in today's column, but just remember that plenty of other investible securities can have an RSI.

When a stock is overbought, the price has already moved higher and may be “extended” on the upside. Overbought stocks can be primed for a trend reversal or corrective pullback in price. In short, it’s probably not the best time to buy.

Meanwhile, oversold stocks have already pulled back. And they may be poised for a trend reversal – and a price rebound. This tells you the timing may be right to enter a new trade.

RSI oscillates, or swings, between extreme highs and extreme lows. A stock is typically considered overbought when the RSI is above 70% and oversold when it is below 30%. Notice how the overbought and oversold conditions line up with price fluctuations in the chart below.



The default setting is to use the past 14 days to calculate RSI. When RSI is at extreme highs (at or above 70%) or extreme lows (at or below 30%), it can be a strong additional signal that a turn in the opposite direction is likely.

RSI can also spend a lot of time in between these extremes. You can interpret this intermediate realm as a sign the stock has yet to achieve its ultimate high or low – *and* that the RSI may still reach an extreme high or low before a trend reversal.

Finally, RSI can be an especially powerful indicator of a possible trend change when it crosses down from above 70% (signaling a potential downtrend) or when it crosses up from below 30% (a possible uptrend signal).

Now that you have the basics of RSI, here's how the indicator is used within our powerful **RSI Rebounds** strategy to identify stocks that may be starting fresh uptrends.

First, our algorithms screen for securities currently in a valley area, according to our proprietary *Trade Cycles* timing indicators. Each stock must also have a Health Indicator status in the Green or Yellow zone.

Second, we narrow the list to include only stocks with a 14-day RSI that has been less than or equal to 30% while in the valley area.

Third, the RSI must rise above 50% – but still be less than or equal to 60%. This indicates a strong possibility the stock has shifted to an upside trend – but that has not already run too far up in price.

Earlier this week I used *TradeSmith Finance* to screen for stocks that currently qualify for our RSI Rebounds strategy. Here's how to do it yourself.

To find rebounding stocks, be sure you are logged in to *TradeSmith Finance*.

Click on the **Invest** menu, then the **Opportunities** tab. Open the "Strategies" drop-down menu, click to open "Trade Cycles," then select "Timing RSI Rebounds."

Here's a screenshot of the simple steps to follow.

The screenshot shows the TradeSmith Finance interface. The top navigation bar includes 'Dashboard', 'My Portfolios', 'Markets', 'Invest' (highlighted), 'Options', 'My Gurus', 'Calendar', 'Pubs', and 'Baskets'. Below this, the 'OPPORTUNITIES' tab is selected. The 'Strategies' dropdown is open, showing a list of categories: 'All Strategies', 'Crypto Ideas Lab', 'Ideas Lab', 'Money Movers', and 'Trade Cycles'. The 'Timing RSI Rebounds' strategy is checked and highlighted under the 'Trade Cycles' category.

This screen will give you our current Top 20 Timing RSI Rebounds stock opportunities. Below is a partial list of the top candidates worthy of further research to see if any could be a good fit for your portfolio.

Strategies

✕ Timing RSI Rebounds

(Top 20 results)

	Ticker	Rank	▲	Health ⓘ	VQ%	Avg VQ%	VQ Ratio ⓘ	Volume	P/E Ratio	Trailing Di...	Market Cap	Latest Close
☐	BRX Brixmor Prp REIT	#1		▶ 1w+	25.61%	21.87%	17.08%	3,541,662	18.59	4.71%	\$6.6B	\$21.67
☐	VGZ-T Vista Gold	#2		▼ 2w+	44.79%	62.76%	-28.63%	13,601	N/A	N/A	N/A	C\$0.65
☐	NWLJ Nat West Life-A	#3		▶ 4m+	26.54%	27.31%	-2.83%	18,050	20.58	0.08%	\$1.6B	\$456.78
☐	AEL Amer Eqty Invt L	#4		▶ 3m+	28.08%	31.15%	-9.86%	660,396	8.51	0.67%	\$4.2B	\$53.57
☐	CLM CRNSTN STR VAL FD	#5		▶ 1m+	18.71%	19.66%	-4.84%	1,522,072	N/A	20.09%	N/A	\$8.49
☐	FSA.AX FSA Group	#6		▶ 2w+	21.63%	41.95%	-48.44%	1,232	N/A	7.04%	N/A	A\$1.00
☐	VSEC VSE	#7		▶ 3m+	31.45%	42.95%	-26.79%	63,765	27.43	0.89%	\$884.2M	\$55.90
☐	AZZ AZZ	#8		▶ 1w+	24.00%	33.94%	-29.28%	134,885	-25.23	1.43%	\$1.2B	\$47.63
☐	UE Urban Edge REIT	#9		▶ 1w+	28.46%	24.38%	16.73%	1,565,692	119.30	3.93%	\$1.9B	\$16.30
☐	FFTY Innvtr IBD 50 Fd	#10		▶ 1w+	23.06%	18.86%	22.22%	72,961	N/A	2.50%	N/A	\$23.98

Let's drill into No. 1 on the list – **Brixmor Property Group Inc. (BRX)** – just to give you a taste of the types of stocks that made the cut.

The New York-based Brixmor is a real estate investment trust (REIT) that runs “open air” shopping centers across the country. Its “anchor” tenants include **TJX Companies (TJX)**, **Kroger (KR)**, **Ross Stores (ROST)**, and **Publix Super Markets**. It's super

efficient, as REITs of this type go. Overall occupancy rates are a healthy 94% – including an impressive 89.3% occupancy in its smaller-shop tenants.

With a recent price of \$21.67, Brixmor shares are trading just about in the middle of their 52-week range of \$17.62 to \$24.27. Goldman Sachs just upgraded the REIT from “neutral” to “buy” – with a target price of \$27. That would represent a 24.5% gain from where the shares are trading right now.

Brixmor pays a \$1.04 dividend – a 4.73% yield at current prices. That’s a terrific yield on a rebounding stock that you might have otherwise missed.

Mike Burnick’s Bottom Line: Anytime stocks appear set for a rebound after a pullback, this should be a “go to” screen. Our RSI Rebounds strategy can be a great source of rebound candidates – stocks poised to bounce back even more from oversold territory.

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 tell me which email you are replying to, in the subject line or at the top of your message.