

If Stocks Deliver a Surprise September Surge, This Predictive Strategy Will Show You How to Win

The stock market can be an unpredictable beast – one intent on fooling the greatest number of investors at any given time. During my 30 years as an investment pro, I’ve watched that unpredictable nature fool investors time and again: Just when the majority expects the market to zig, it zags – and investors take the hit.

It doesn’t have to be that way. With the right set of edge-giving tools, you can sidestep any surprises – or, better still, use them to make money.

Here in September – historically the worst month for stocks – that market “beast” could be brewing up another surprise: A rally in share prices.

Let’s call it the “September Surprise.” And let’s look at how *TradeSmith’s* predictive tools can help us profit – even while most investors get fooled yet again.

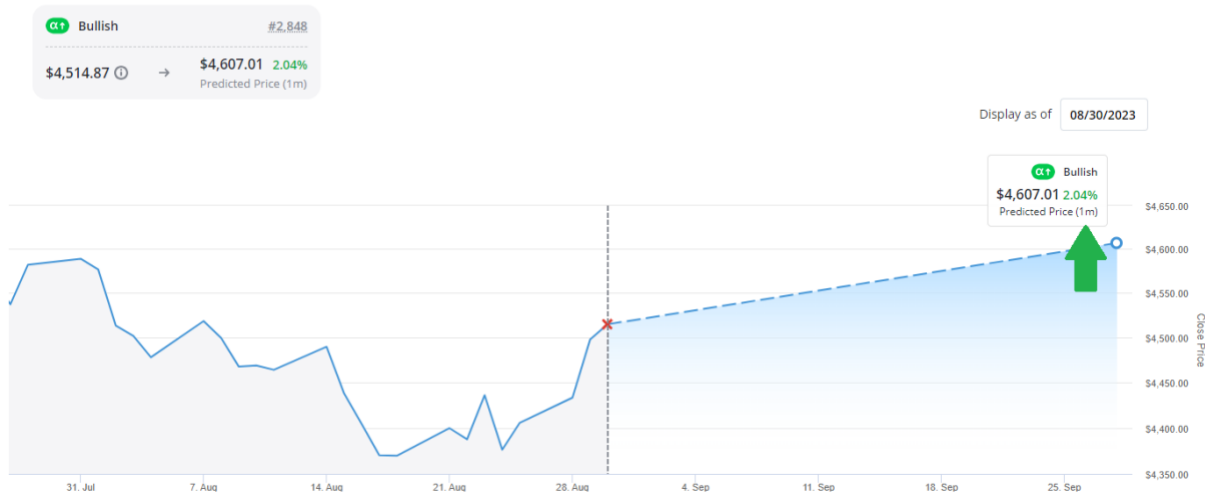
Here’s what we know so far:

- ✓ First, it’s now September, and NFL Thursday Night Football is just two days away.
- ✓ September, historically, has been downright unkind to stock-market investors.
- ✓ Looking back over the last 100-plus Septembers, the **Dow Jones Industrial Average** has posted average losses of about 2.5% this month.
- ✓ Stocks are already down this September.
- ✓ And our *Trade Cycles* timing tools are in a valley area, pointing higher.
- ✓ Plus, our algorithm forecasts a one-month gain of 2% or more for the **S&P 500**.

S&P 500 Index (SPX)

CURRENT PREDICTION

TradeSmith Predictive Alpha utilizes Machine Learning to identify a future price target. Our AI model normally updates the prediction daily a couple hours of receiving latest close prices.



The S&P 500 was down in August and has declined 1.59% from its late July high. The **Nasdaq 100 Index** – home to some of the best-performing stocks this year – fell even more, down 2.21% from recent highs.

So just when most investors expect that August swoon to continue here in September, a different scenario is likely to play out. I mean, why not a rally? After all, that would allow the market beast to fool most investors – since they turned bearish last month.

If an upside surprise is possible – or even likely – the question becomes: How can we capitalize on it – but in a low-risk way, just in case stocks do slip lower.

This is the perfect setup for a proven *TradeSmith* strategy: Low Risk Runners.

Here's how it works. And here's how – in the face of a potential market rebound – you can screen for the best possible low-risk stock opportunities.

How to Find Low Risk Runners

TradeSmith users have seen how robust our proprietary Health Indicators can be – and that they're a great place to start when evaluating any potential investment.

Ideally, you want to focus on stocks in the Green Zone that are in a healthy state. But don't forget that stocks in the Yellow Zone can also be good buying opportunities.

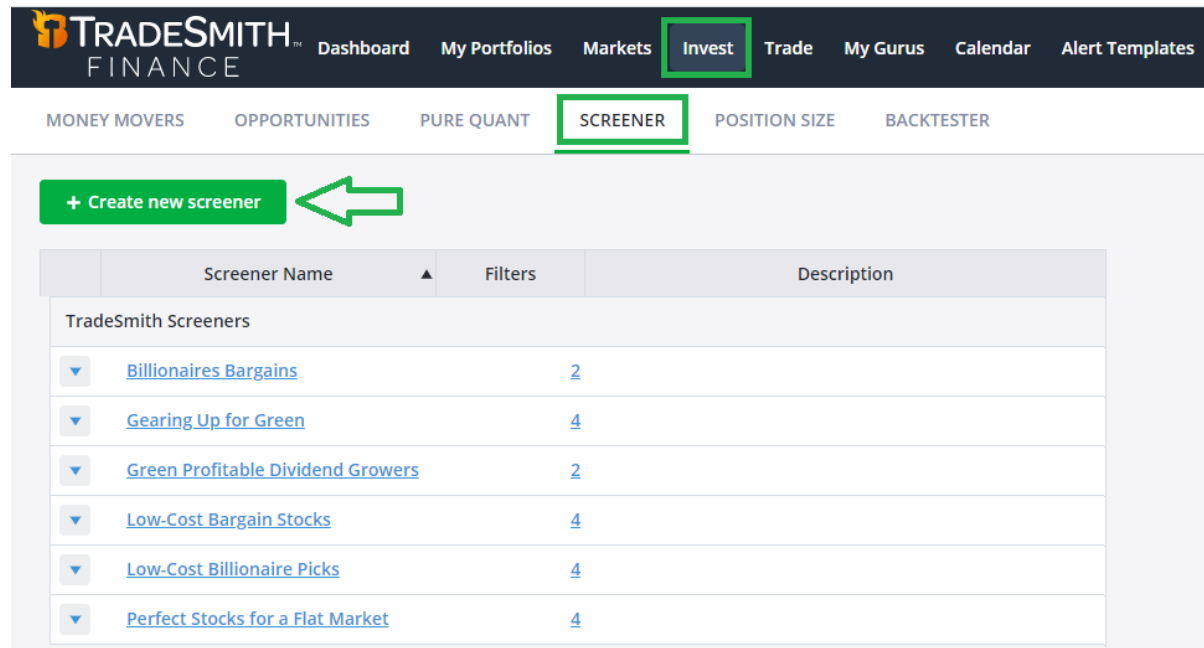
That's because stocks in the Yellow Zone are still trading in a normal volatility range. Plus, a Yellow Zone stock has only *half* the downside risk of a stock that just entered the Green Zone for the first time.

The takeaway: Yellow Zone stocks are good *buy-the-dip* candidates because they are one step away from meeting these three key requirements that we screen for in our Low Risk Runner strategy::

1. The stock has an average VQ (Volatility Quotient) that is less than, or equal, to 40%.
2. It must be trending up or – at the very least – sideways.
3. And it must have recently moved from the Yellow Zone back into the Green Zone.

With all that in mind, let's use the *TradeSmith* Screener tools to find some potential low-risk buy candidates — right now — to take advantage of a potential market rally.

(Note that this tool is only available to *Ideas by TradeSmith*, *Trade360*, *TradeSmith Essentials*, and *TradeSmith* Platinum customers.)



The screenshot shows the TradeSmith Finance website interface. The top navigation bar includes links for Dashboard, My Portfolios, Markets, Invest, Trade, My Gurus, Calendar, and Alert Templates. The 'Invest' tab is highlighted with a green box. Below this, a secondary navigation bar shows MONEY MOVERS, OPPORTUNITIES, PURE QUANT, SCREENER, POSITION SIZE, and BACKTESTER. The 'SCREENER' tab is highlighted with a green box. Below the navigation bar, there is a green button labeled '+ Create new screener' with a green arrow pointing to it. Below the button is a table of pre-built screeners.

Screener Name	Filters	Description
TradeSmith Screeners		
Billionaires Bargains	2	
Gearing Up for Green	4	
Green Profitable Dividend Growers	2	
Low-Cost Bargain Stocks	4	
Low-Cost Billionaire Picks	4	
Perfect Stocks for a Flat Market	4	

So let's begin.

First, be sure you are signed in to your *TradeSmith Finance* account. Then, as shown above, click on the **Invest** menu at the top, then the **Screener** tab.

Next, click on "+ Create new screener." You'll also notice there are several pre-built *TradeSmith* screens for you to explore.

That brings you to the screen shown below. Our main task is to find stocks that qualify for the Low Risk Runners strategy, so let's start there.

Click on "TradeSmith Strategies" and, in the dropdown menu, click on "Ideas Lab" and select "Low Risk Runners."

Keep in mind, you can add any other filters you like to narrow your candidate list of potential stocks. Simply click on the "+ Manage Filters" link you see at top left.

Below I've highlighted all the key filters I selected for my screen.

The screenshot shows the 'Create new screener' interface on the TradeSmith Finance website. The navigation bar at the top includes links for Dashboard, My Portfolios, Markets, Invest, Options, My Gurus, Calendar, Pubs, and Baskets. A 'BACK' link is visible on the left. The main section is titled 'Create new screener' and features a '+ Manage Filters' link. The filters are as follows:

- TradeSmith Strategies:** A dropdown menu with 'Low Risk Runners' selected, indicated by a green arrow.
- Markets:** A section with three selected filters: 'S&P 500 (SPX)', 'Dow 30 (DJIA)', and 'Nasdaq 100 (NDX)', each with a green arrow pointing to it.
- Cycle Turn Area:** A dropdown menu with 'Upcoming Valley' and 'Valley' selected, indicated by a green arrow.
- Business Quality Score:** A dropdown menu with 'more than' selected and a value of '50' entered, circled in green.
- Predicted Change:** A dropdown menu with '1 month' selected, followed by 'is more than' and a value of '2%' entered, circled in green.
- Display & Sort Results:** A section with 'Show top' set to '250', 'Sort results by' set to 'Health', and 'ASC' selected.

At the bottom right, there is a large green arrow pointing down to a 'Run Screener' button. Other buttons include 'Save As New' and 'Save Changes'.

Select "Low Risk Runners," the core of our screen, from the "TradeSmith Strategies" filter.

Add a filter for Markets, and click on the big three: S&P 500, Dow 30, and Nasdaq 100.

Now here come a few filters of my own. I added “Cycle Turn Area.” And I selected “Valley and Upcoming Valley” – an additional filter available to our *Trade Cycles*, *TradeSmith Essentials*, and Platinum customers.

Plus, I added “Business Quality Score” (BQS) and selected “more than 50.” That will give you only the top 50% of companies we rank by quality. Finally, I also added a filter for our A.I.-driven *Predictive Alpha* 1-month price forecast and set the Predicted Change to “more than 2%.” *Predictive Alpha* filters are available to *Predictive Alpha*, *TradeSmith Essentials*, and Platinum customers.

Remember, you can always narrow or widen your search by adjusting these values. Or consider adding some of your own.

Low Risk Runners is designed to pick up stocks that temporarily pulled back into the Yellow Zone, then rebounded into the Green Zone.

But to give me even greater conviction that these stocks are likely to keep rebounding, I want to also use our timing indicators as added confirmation these stocks are in, or approaching, a valley – and should turn higher in price.

Then, for triple-confirmation, I also want to know what our machine-learning-fueled *Predictive Alpha* algorithm is saying about the stock’s direction over the next month.

As for BQS, you probably know by now that [I’m a huge fan of buying quality, dividend-paying stocks](#). (Be sure to log in to your *TradeSmith Finance* account to access previous columns.) That’s gives us a valuable added measure of safety in this turbulent market.

So, I only want to screen the top half of stocks in our database by BQS. To narrow the list further, you could easily bump up the BQS to 70, 80, or better.

Now, be sure to save your work by clicking on “Save As New” – so you can revisit this screen later. Then it’s time to click “Run Screener” to see what we get, shown below.

[Saved Screeners](#) (18 results)

☐	Ticker	Rating	Health	VQ%	Avg VQ%	VQ Ratio	Volume	P/E Ratio	Trailing Divi...	Market Cap	Sector	Latest Close
☐	ALLE Allegion	Strong Bullish		21.94%	19.00%	15.47%	776,106	19.34	1.51%	\$10.0B	Industrials	\$113.57
☐	FDS FactSet Resh Sys	Strong Bullish		19.56%	25.06%	-21.93%	157,873	32.69	0.86%	\$16.6B	Financials	\$434.95
☐	UHS UNIV HEALTH SERV-B	Bullish		24.43%	24.13%	1.24%	300,808	12.12	0.59%	\$8.4B	Health Care	\$134.80
☐	EG Everest Group Ltd	Bullish		21.87%	21.39%	2.23%	275,339	12.99	1.36%	\$15.7B	Financials	\$362.70
☐	EQT EQT	Strong Bullish		43.00%	24.93%	72.45%	4,573,975	4.38	1.40%	\$15.5B	Energy	\$42.99
☐	SNA Snap-On	Strong Bullish		20.31%	20.40%	-0.43%	148,711	14.59	2.41%	\$14.2B	Industrials	\$268.88
☐	BBY Best Buy	Strong Bullish		27.73%	35.02%	-20.81%	3,055,055	12.53	4.74%	\$16.6B	Consumer Discretio...	\$75.93
☐	MAS Masco	Strong Bullish		23.08%	26.24%	-12.04%	1,196,902	16.52	1.93%	\$13.2B	Industrials	\$58.82
☐	HIG Hartford Fin Ser	Strong Bullish		21.92%	29.46%	-25.62%	917,576	10.98	2.37%	\$22.1B	Financials	\$71.74
☐	DRI Darden Restauran	Strong Bullish		24.56%	25.42%	-3.40%	682,900	19.38	3.14%	\$19.0B	Consumer Discretio...	\$157.14

There's not enough space to share all 18 stocks. But here are the Top 10 – sorted by the highest-predicted one-month change. As you can see, this screen delivered a variety of quality stocks from an array of sectors to consider as potential investment candidates for a September surge in the market.

Mike Burnick's Bottom Line: Low Risk Runners are stocks that have crossed into the Yellow Zone *but* then proven their strength again by rising back into the Green Zone. That can put you into a stock – at a low-risk entry point. It's a classic buy-the-dip strategy you can use over and over. And it's a great way to capitalize on a possible "September Surprise" in stocks – but still keep risk in check.

Good investing,

Mike Burnick
Senior Analyst, *TradeSmith*

P.S. As always, if you have any questions or concerns, please feel free to reach out to me at emailmikeburnick@tradesmith.com. Please tell me which email you are replying to, in the subject line or at the top of your message.