

## Finding The Big Winners In The Stock Market

**Portfolios heavy with under-performing stocks almost never outperform the market. Ignat's Law**

**Focus on the best stocks within the best performing industry groups. As new trends evolve among the various industry groups, the identification of the best stocks in each industry group will allow the portfolio manager to adapt to the new trends on a timely basis.**

[A](#) collection of recent newsletters is available on the web site.

### Market Dynamics

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Exceptional investment performance depends on finding and participating in stocks that significantly outperform the market. It also depends on eliminating the stocks that don't perform as hoped. The first step is to organize the research function to find the big winners.

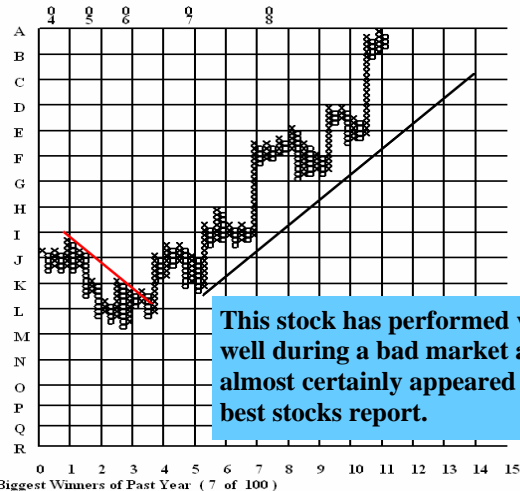
Various research studies have shown that the biggest winners in the stock market are usually drawn from stocks in the best performing industry groups. The search for the big winners should focus on the performance of individual industry groups. The relative performance of the various industry groups should be measured and ranked to determine which industry groups are showing the best performance.

The measurement process should not be too short term in nature since the objective is to determine which industry groups are showing trends of relative performance that have a good chance of persisting into the long-term. The Market Dynamics System ranks the performance of the industry groups over a six week span. This seems to be long enough to remove short term flurries of performance from the data but short enough to still provide a timely indication.

Each week the industry relative performance data is ranked and the top twenty industry groups are determined for the previous six weeks. The list of ticker symbols is included with the daily updates under the file name of "MGTOP20.TXT." A report on the 20 best performing groups is prepared on Wednesday that shows the relative performance charts from the Market Dynamics System on each industry group.

The next step is to review the individual performance charts of each stock in each industry group. This is accomplished using the "\MDRS\MDRSGROUPS" lists of stocks for each industry group. Stocks in

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downtrends are skipped and only those stocks that appear to be attractive from a long-term relative performance perspective are singled out for inclusion in the main report.

It is important to note that there will always be some rotation among the industry groups that appear in the top twenty list but industry groups that show persistently good performance will remain on the list for some time. As market trends develop and evolve the best performing stocks will be repeated in the report.

Experience shows that stocks that are selected from the best industry groups have a much higher probability of becoming big winners in the market. Future stock market leaders will almost automatically appear on this report. This identification process will take advantage of emerging performance trends before a stock becomes extended on the relative performance charts. Stocks that are losing their upside momentum or stocks that have become too extended to be good long-term investments will be skipped.

When positive economic or business trends start to affect the performance of an industry, the best individual stocks in that industry will appear on the report. Not every stock on the report will become a big winner but the systematic search for future winners will produce many successful investment opportunities.

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