Stockopedia

How to pick <u>the best stocks</u> to weather the bear market, without relying on tips

Educational Webinar

Is this for you ?

1. **Seasoned investors** looking for a <u>more empirical basis</u> for positioning their portfolios for recovery.

2. **Improving investors** looking for a <u>disciplined, proven process</u> to replace buying on tips/rumour.

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We would like to draw your attention to the following important investment warnings:

- The value of shares and investments and the income derived from them can go down as well as up

- Investors may not get back the amount they invested

- Past performance is not a guide to future performance

Please note that all data in this document is historic and dated when this document went to print in December 2022.

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Ed Page Croft, CFA

Founder & CEO, <u>Stockopedia.com</u>

ex-GS Private Clients, Oxford Scholar

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Agenda

One hour, invested in yourself...

Why you should watch this webinar

1. How we got here - the story of the bear so far

2. Why pandemic "share tips" have led to some of the worst results

3. Revealed - the framework to understand "**what really works**"

   • QVM - <u>3 universal return drivers</u> of stocks

   • How to measure any stock against the 3 return drivers

4. Applying the principles, **what to buy, when to sell**

5. What's working **<u>now</u>** - positioning your portfolio to survive the

   bear & recover quickly beyond

6. Q & A

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My Goal for the webinar

- Help you understand that stock market results are driven by a set of return drivers, known as **"factors"**
- Show you which factors are driving stock returns through this bear market, and its eventual recovery

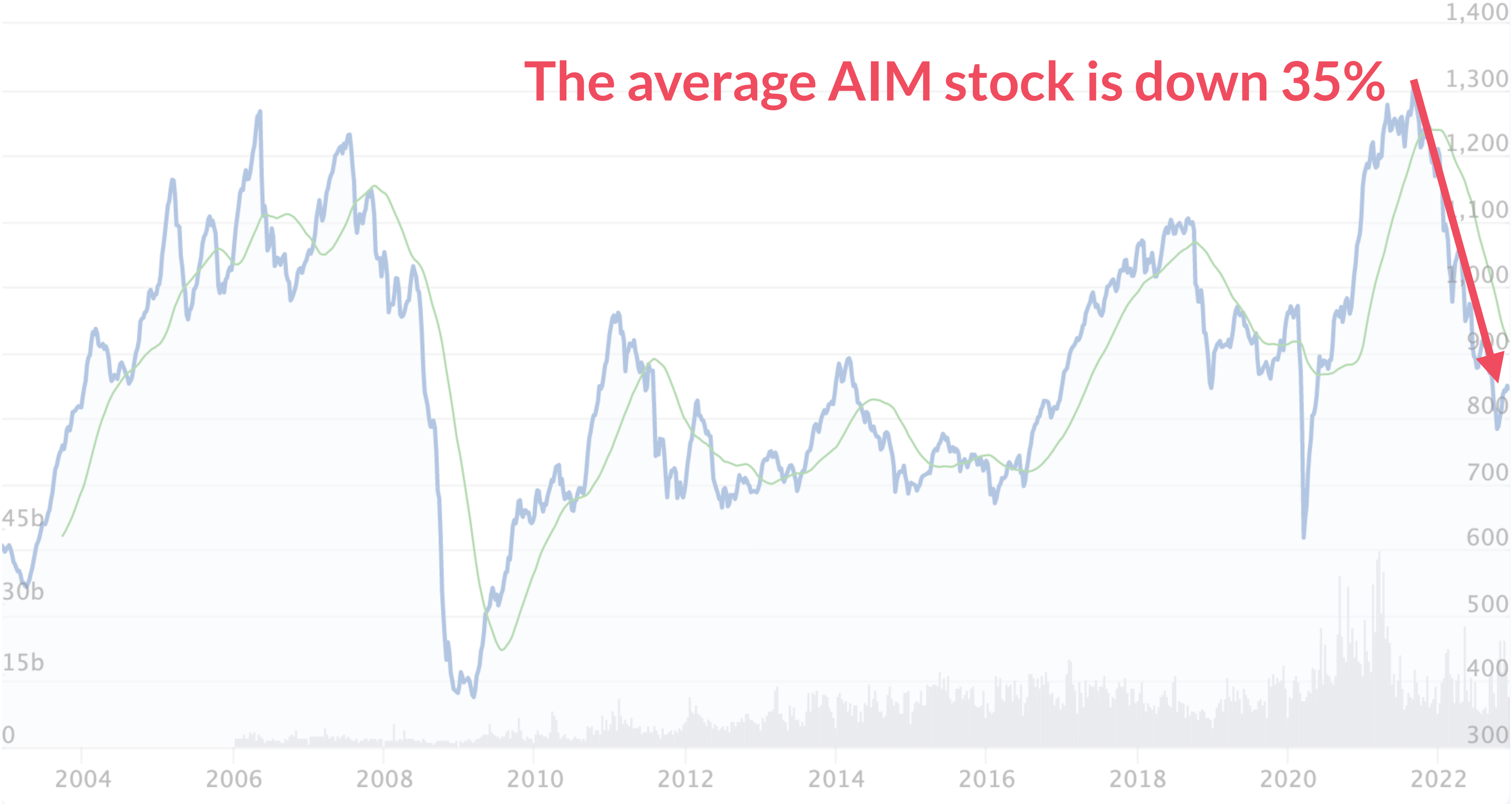- Give you the simplest way to apply these principles to your portfolio, using the toolbox at stockopedia.com

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How did we get here?

How far are we through the bear market?

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There's been a brutal market correction

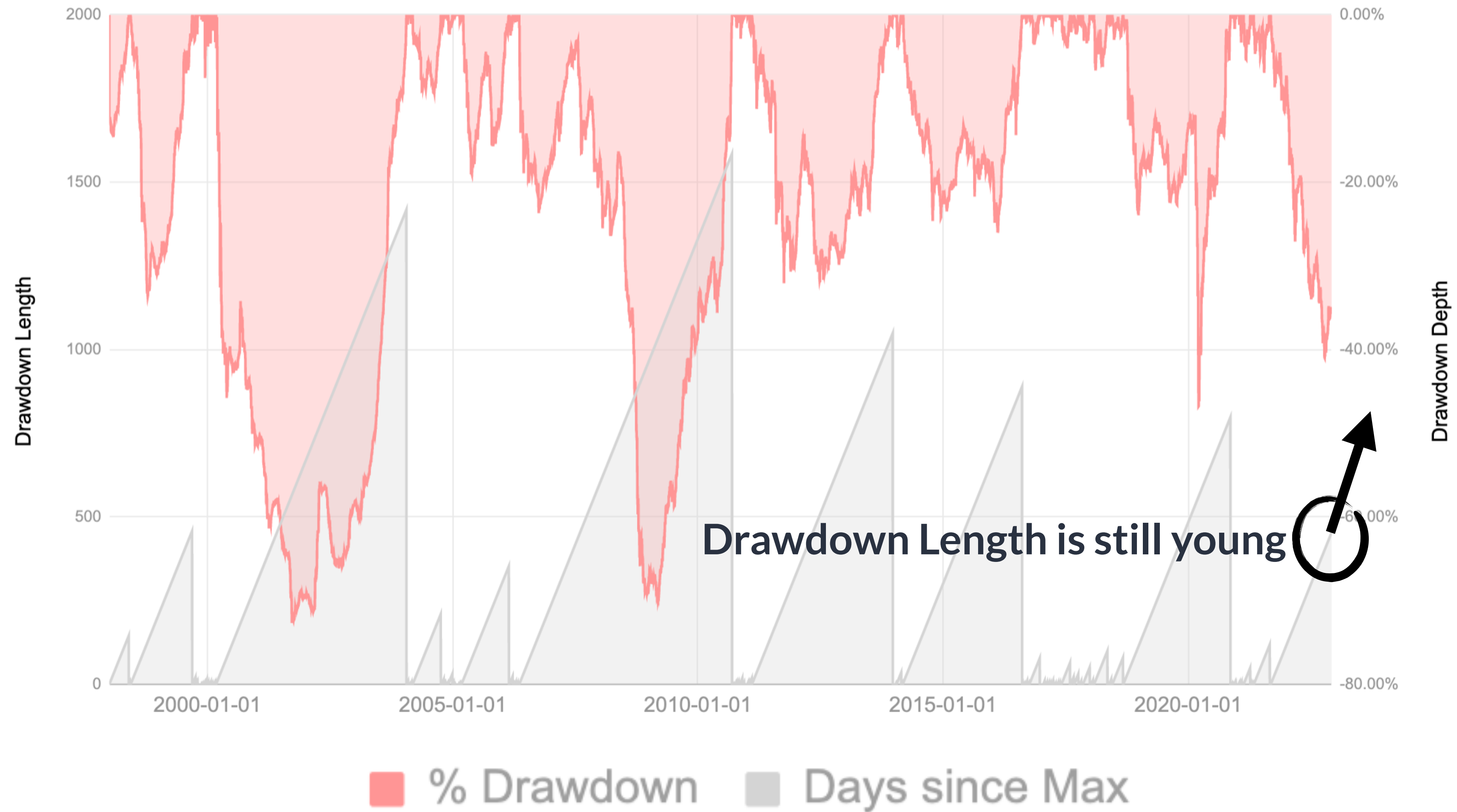**FTSE AIM All Share Index**

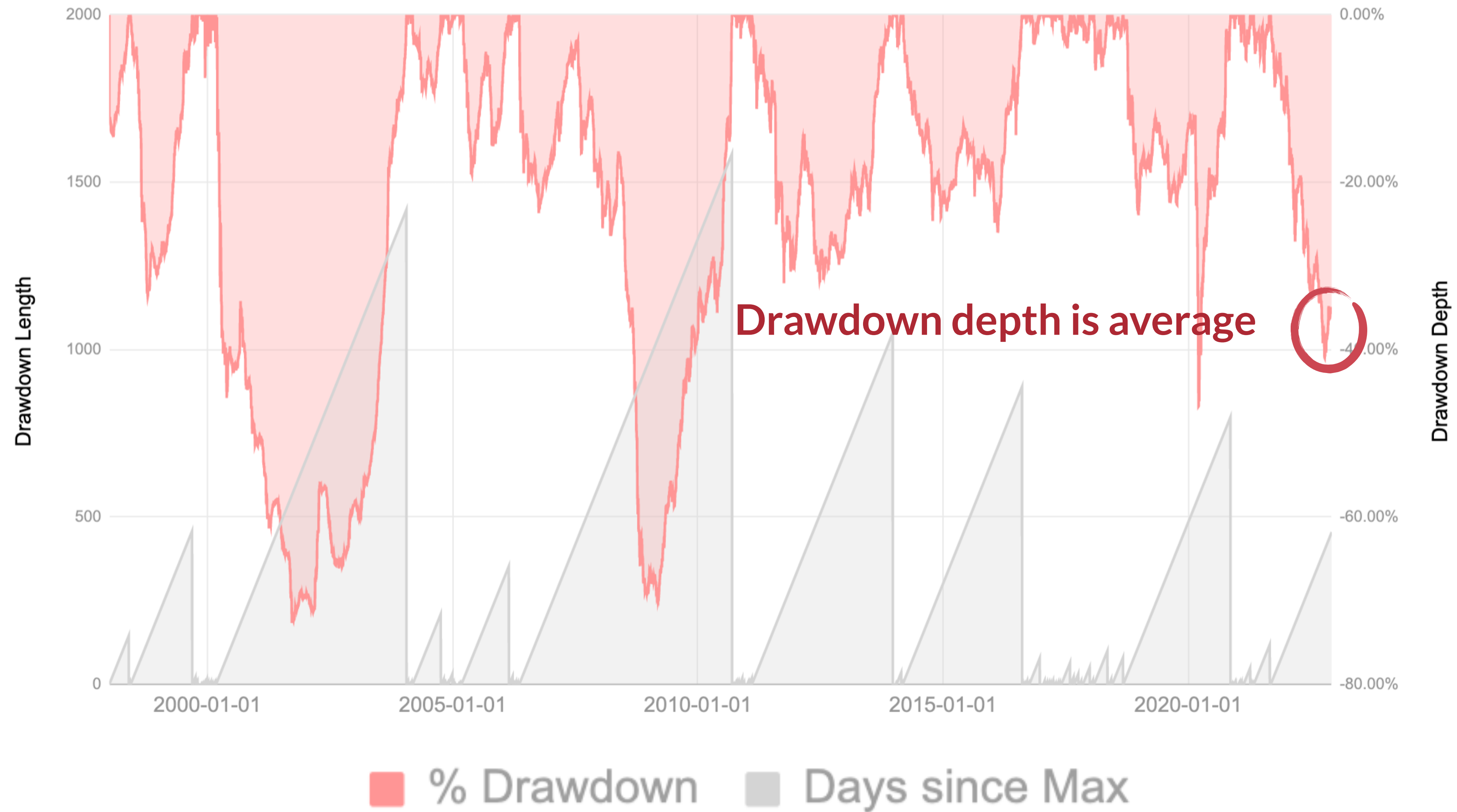# There's been a brutal market correction

The average AIM stock is down 35%

FTSE AIM All Share Index

The depth and length of historic drawdowns suggests...
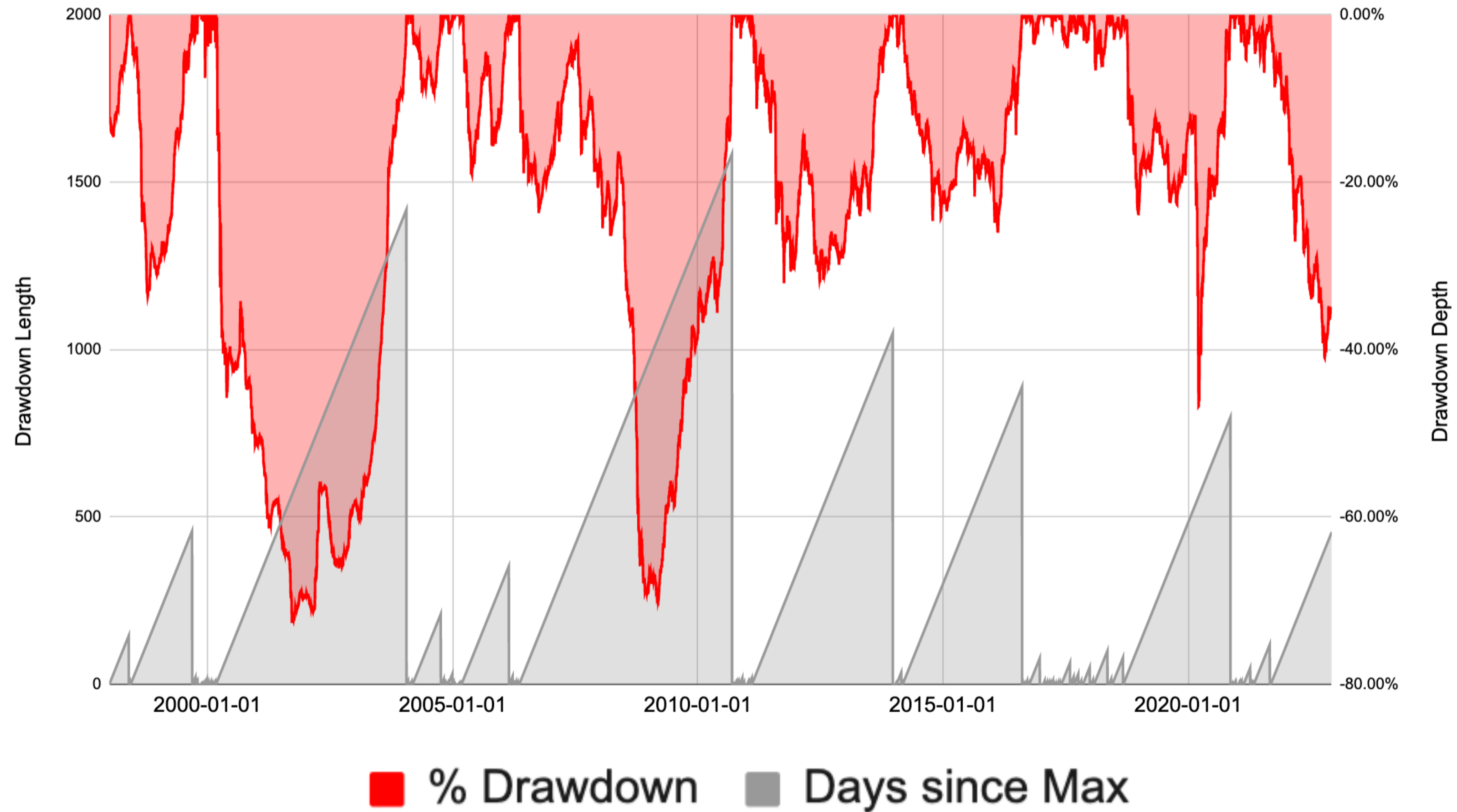
Legend: ■ % Drawdown ■ Days since Max

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The depth and length of historic drawdowns suggests…

Drawdown Length is still young

% Drawdown **Days since Max**

The depth and length of historic drawdowns suggests…

Drawdown depth is average

Legend: % Drawdown   Days since Max

Bear markets post 1950 last 16 months on average
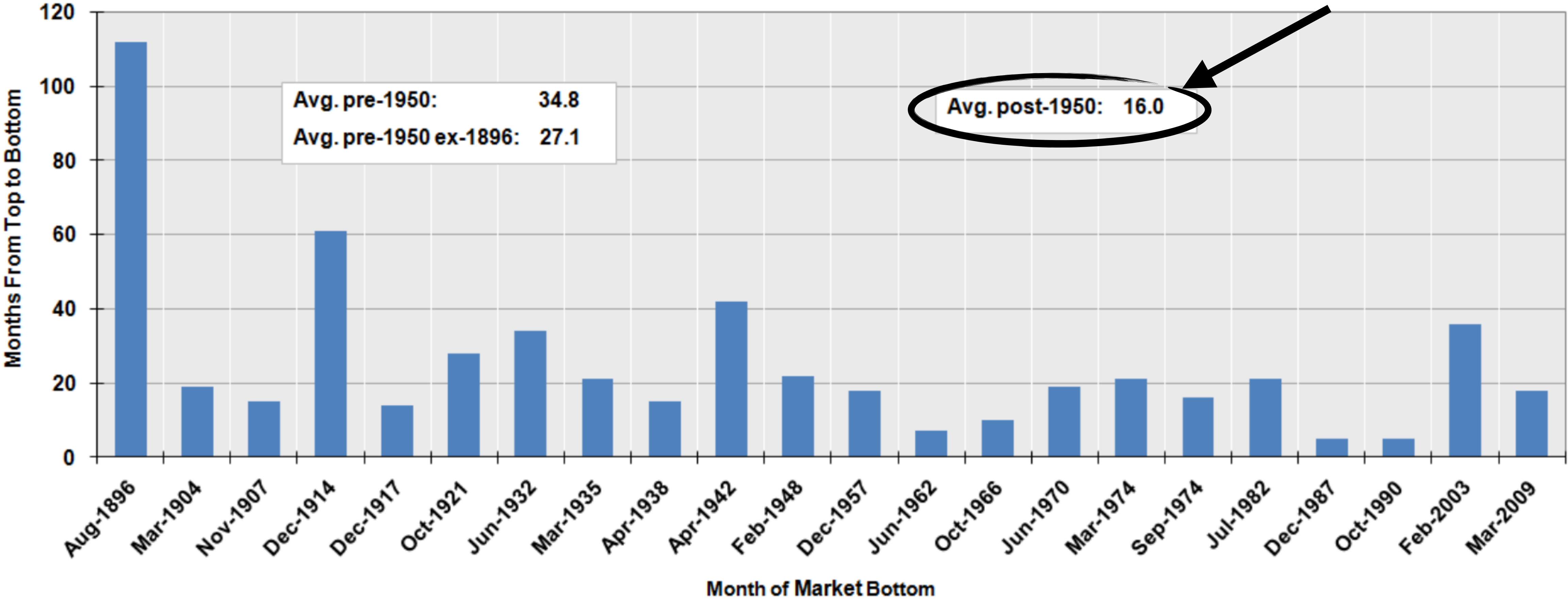
The Relative Valuation of US Equities at Bear Market Bottoms - Weigand & Irons, 2011.

🔥 Story stocks get you into trouble ⚠️

ARB – **Argo Blockchain**

Financials · Highly Speculative · Micro Cap · Value Trap

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🔥 Story stocks get you into trouble ⚠️

🔥 Story stocks get you into trouble ⚠️

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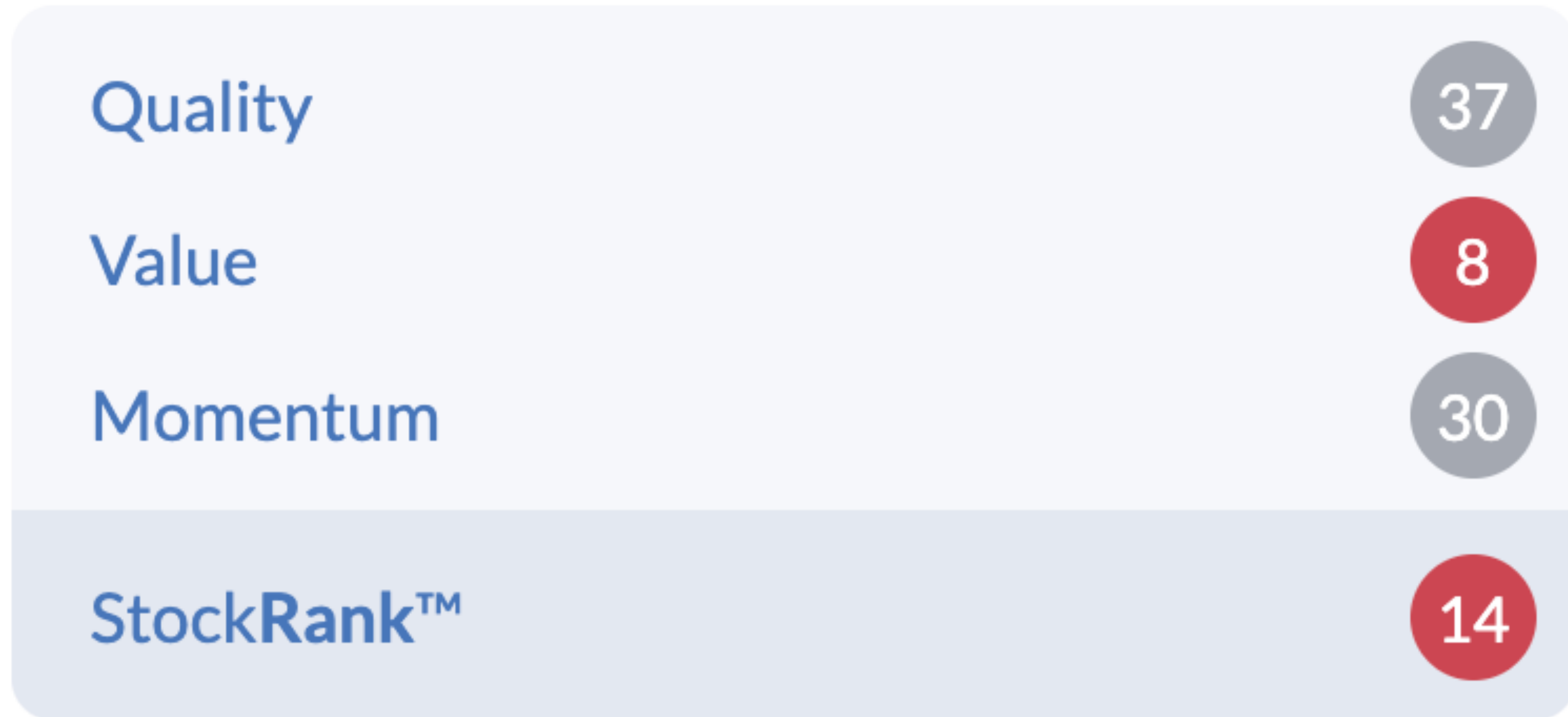# 🔥 Story stocks get you into trouble ⚠️

🔥 Story stocks get you into trouble ⚠️

SYME – **Supply@Me Capital**

Industrials · *Highly Speculative* · *Micro Cap* · *Sucker Stock*

1m   3m   6m   YTD   1y   2y   3y   5y   **All**

— SMA (200) ■ Volume

Bullish

Bearish

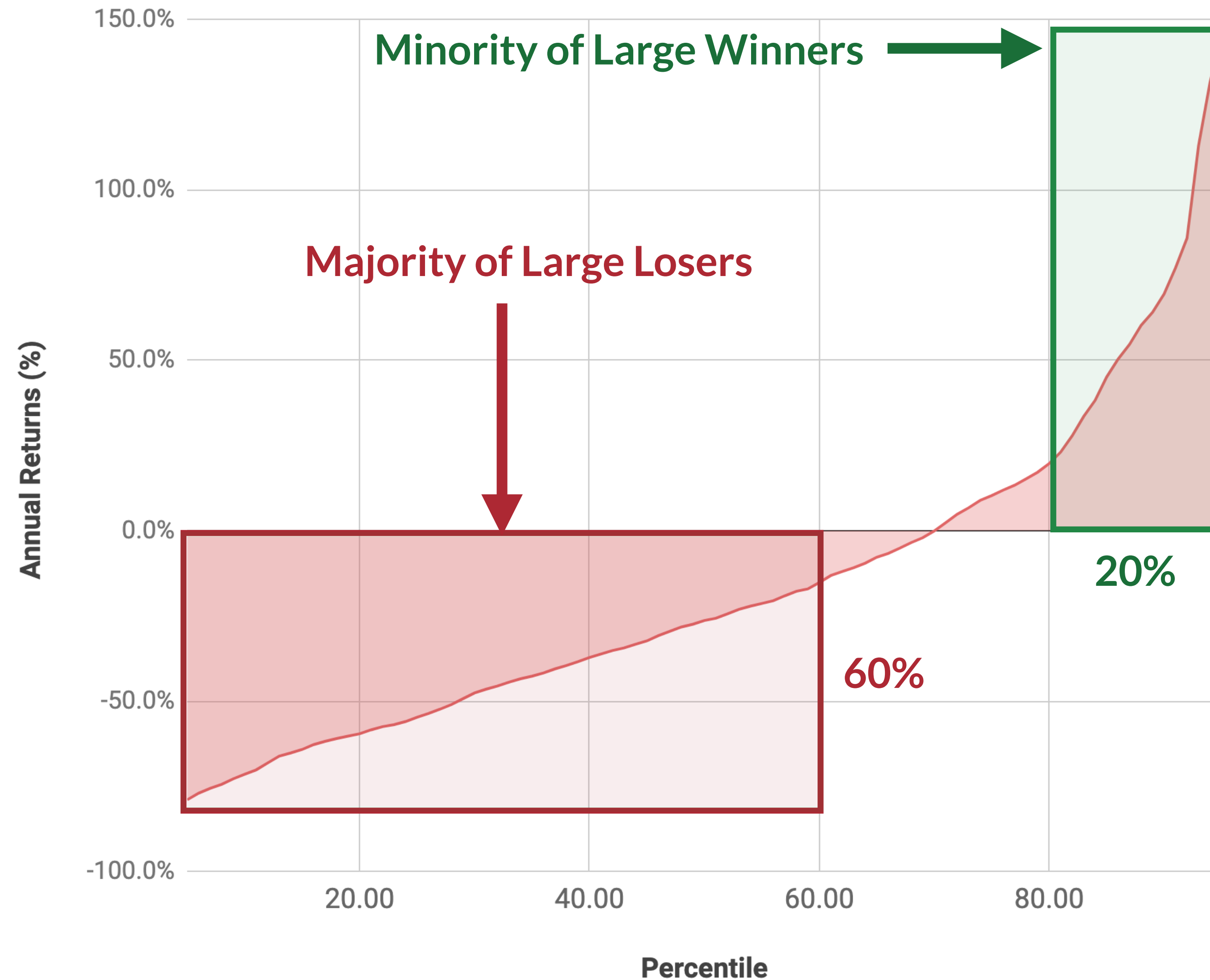# 🔥 Story stocks get you into trouble ⚠️

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🔥 Story stocks get you into trouble ⚠️

Story stocks do <u>not</u> rank highly for proven factors

Quality	37
Value	8
Momentum	30
StockRank™	14

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Annual returns to Speculative Story Stocks

Minority of Large Winners

Majority of Large Losers

20%

60%

Annual Returns (%)

Percentile

150.0%
100.0%
50.0%
0.0%
-50.0%
-100.0%

20.00   40.00   60.00   80.00

** Based on the average annual returns to shares with StockRank 0-10 since 2013*

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🧲 Why are we so attracted to story stocks?

🚀 The mission behind a company aligns with some major macro trend

🎶 The stock offers a highly compelling narrative that leads to a Hollywood ending

🐄 The stock has a huge following and you have a fear of missing out

🔮 The stock aligns with personal beliefs about how the world should be in the future

🦸 The stocks is associated with a charismatic individual who wants to change the world

👔 The stock is endorsed by someone authoritative (e.g. broker buy)

… and on and on…

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Don't trust "Strong Buy" recommendations

Buys did worst
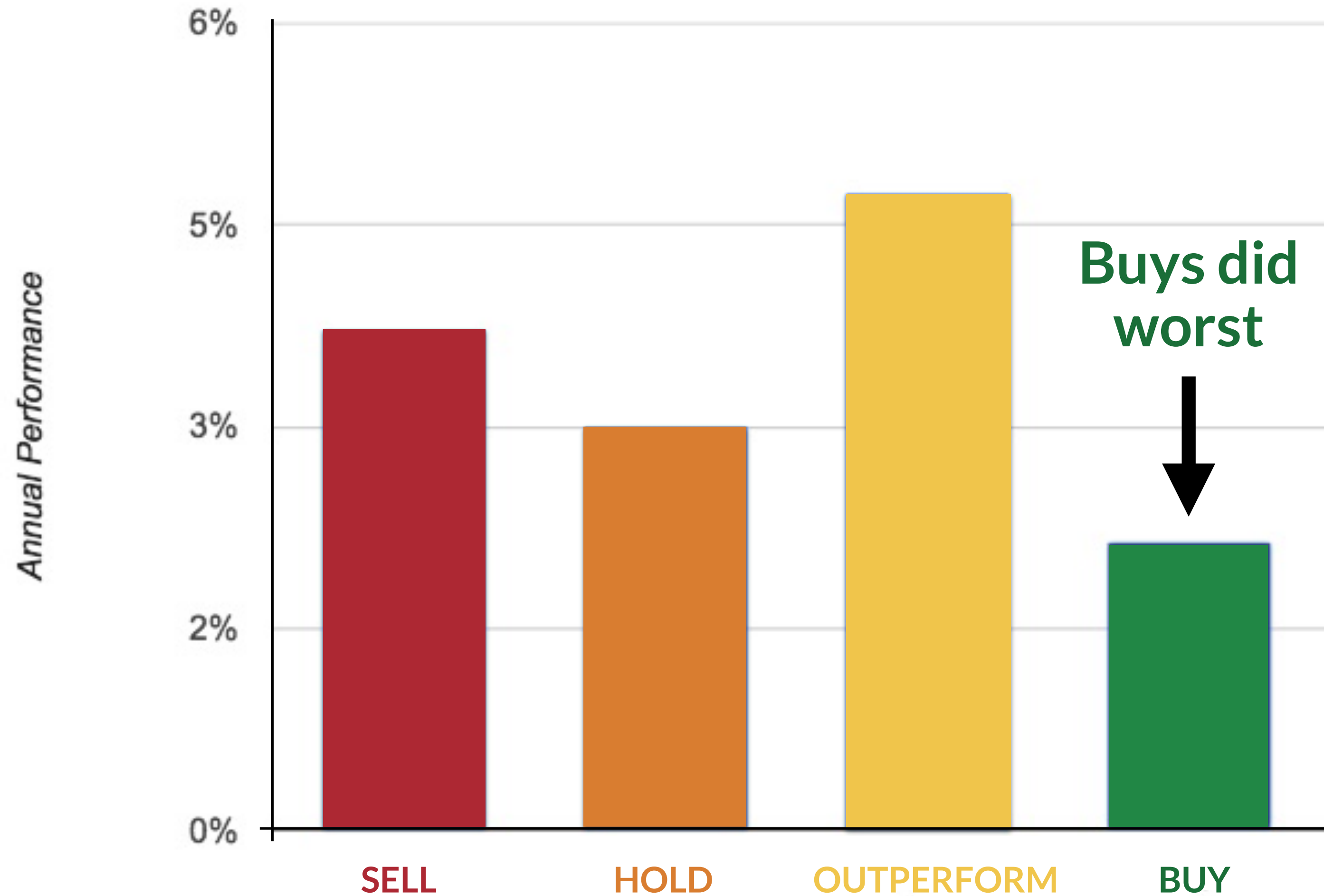
* Stockopedia Research between 2015 and 2018 of Broker Recommendations from the Reuters Estimates Database of UK Stocks.

Choosing individual stocks without any idea of what you're looking for is like running through a dynamite factory with a burning match. You may live, but you're still an idiot.

Joel Greenblatt

Hedge Fund Manager and Author of "The Little Book that Beats the Market"

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What <u>really</u> drives stock returns?

Understanding the <u>three most powerful</u> return drivers of stocks

"

In the short run, the stock market is a voting machine,

but in the long run, it is a weighing machine

"

Benjamin Graham

Economist, Professor, Investor. Author of Security Analysis & The Intelligent Investor

Stock market history - a trail of clues...

1920 1950 1980

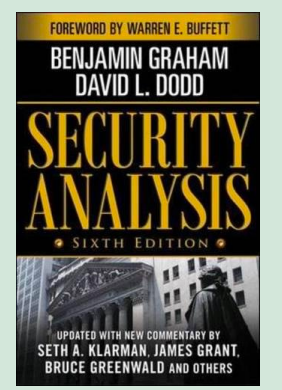## Quality
Quality beats Junk

Warren Buffett

Novy Marx

Value
Cheap beats Expensive

Ben Graham

Fama & French

Momentum
Leaders beat Laggards

Jesse Livermore
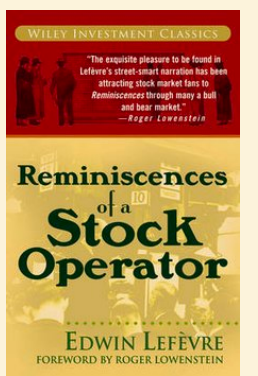
Jegadeesh & Titman

The 3 primary "factors" that drive stock returns

Quality

Quality beats junk

Value

Cheap beats expensive

Momentum

Leaders beat laggards

Stockopedia
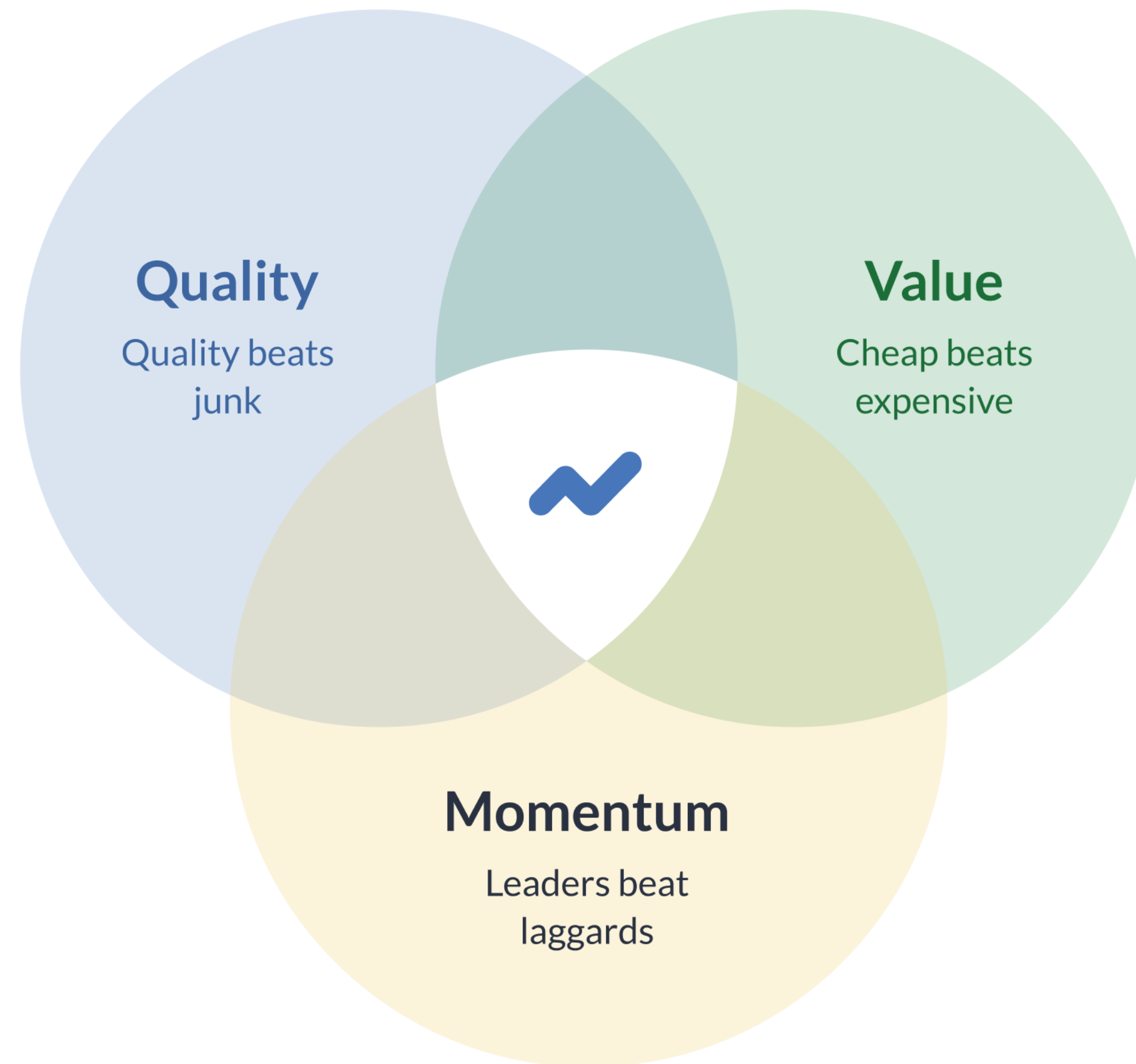
$10,000 invested in "factor" portfolios (1990-2000)

Legend: Quality · Value · Momentum · S&P 500
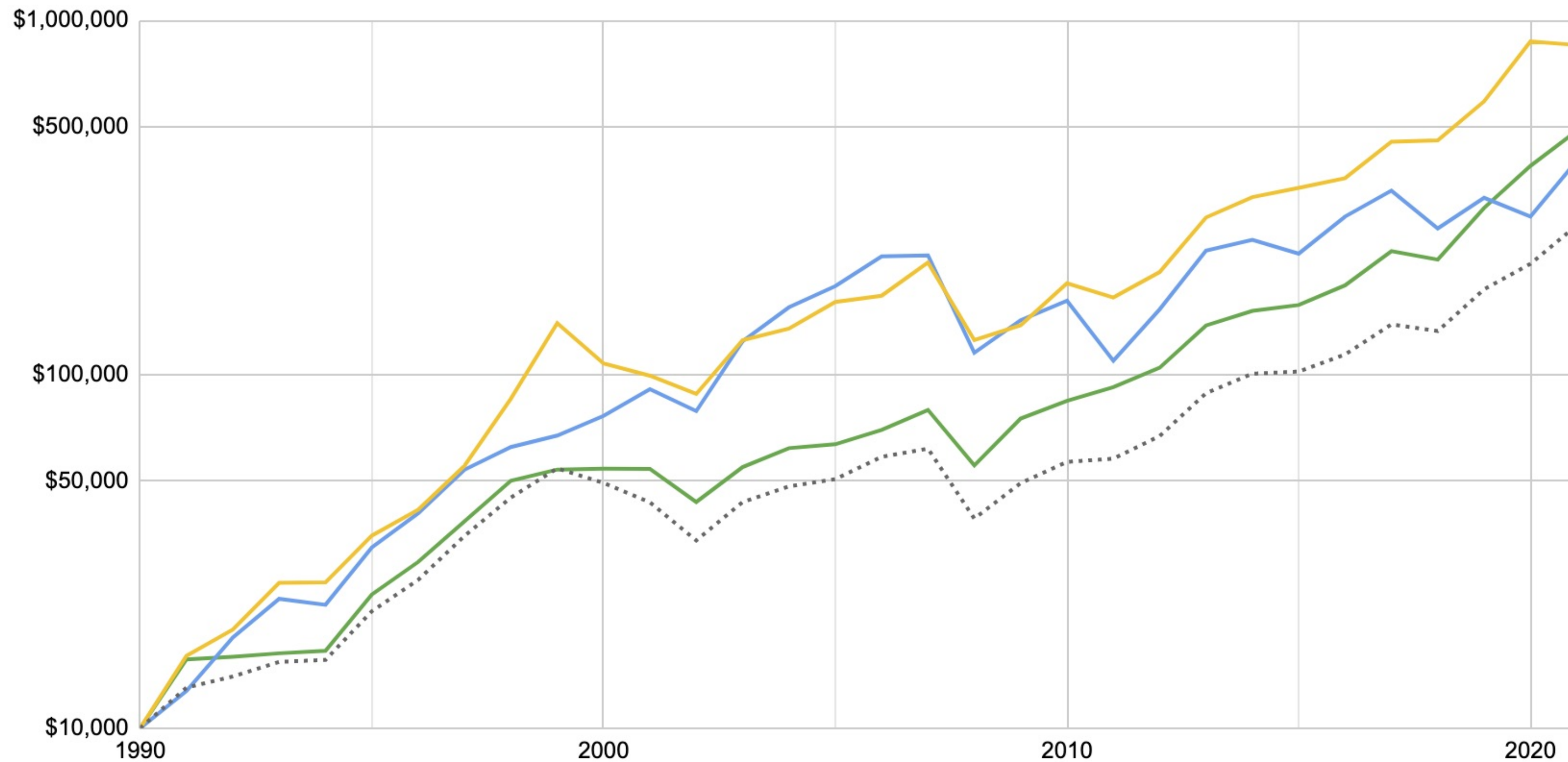
Fama & French

Fama & French Data Library

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Are the best fund managers just factor investors?

Reasons for the performance of the best vs worst fund managers

Mark Carhart

Stockopedia

Proving Warren Buffett's "Style" is replicable

"The secret to Buffett's success is his preference for cheap, safe, high quality stocks"

Andreas Frazzini
"Buffett's Alpha"
2012

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How can you <u>measure</u>
Quality, Value and Momentum?

OXY – Occidental Petroleum

$71.25 ↓ -3.58 -4.78%

Last trade – 16:02   Full quote
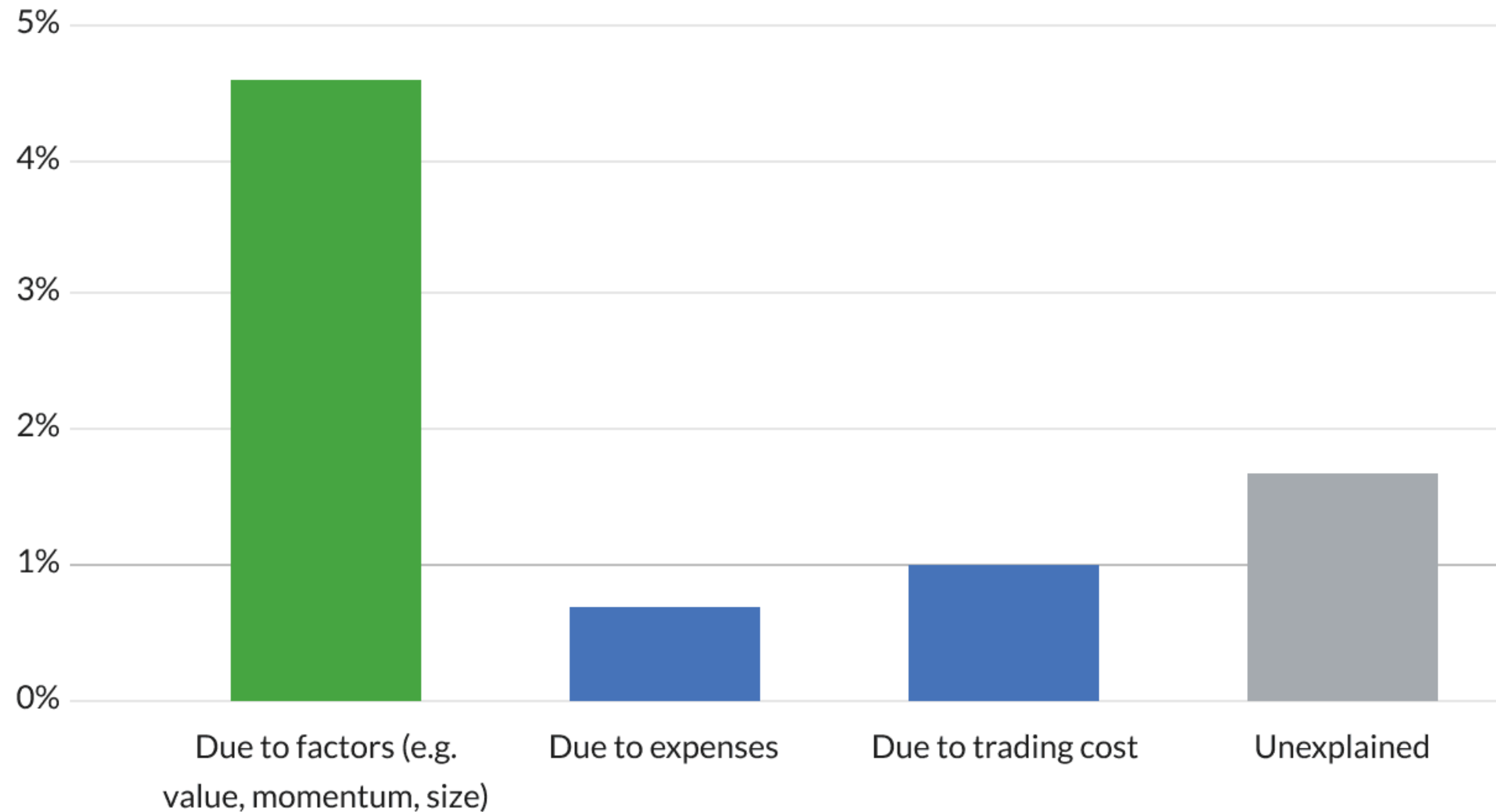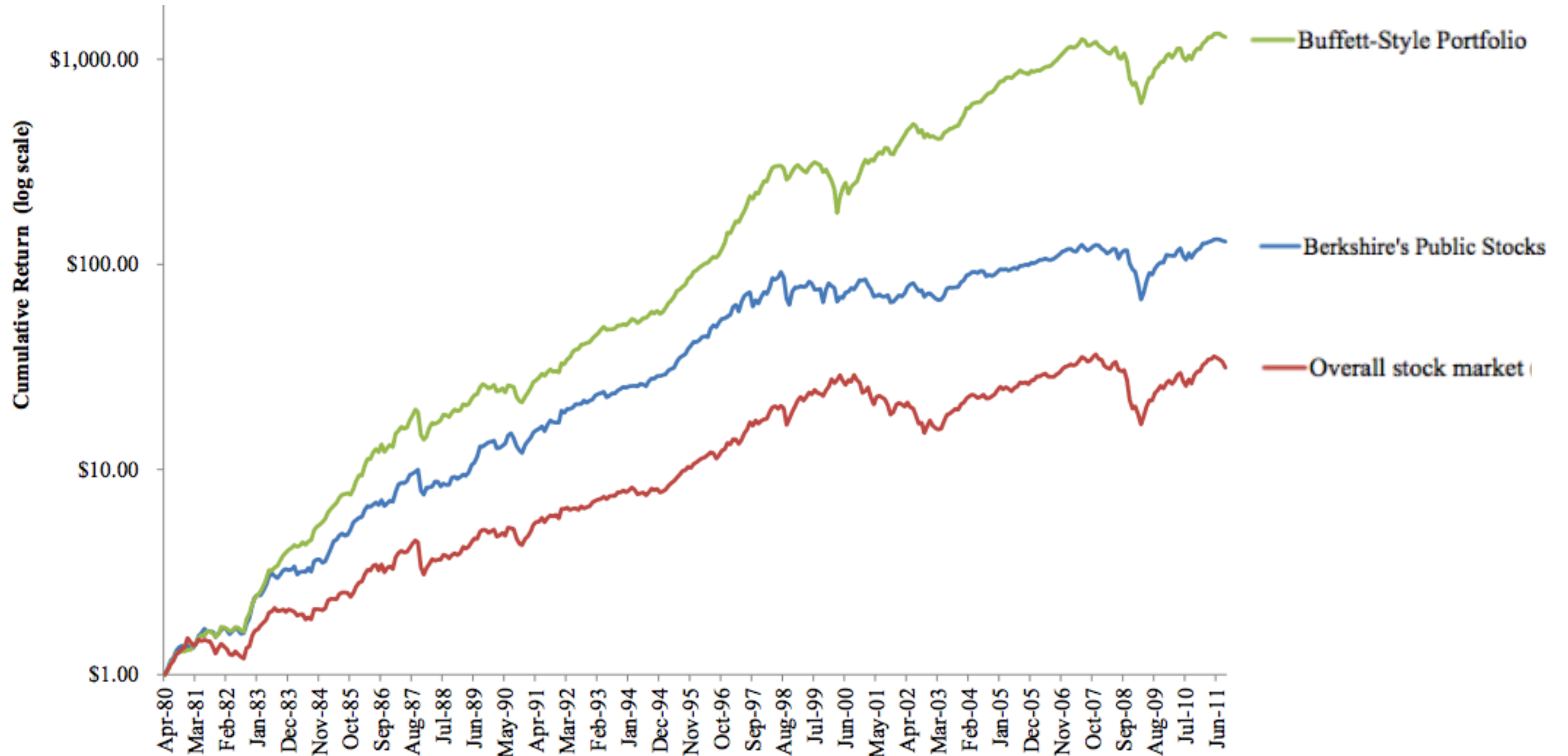
Energy · Adventurous · Large Cap · Super Stock

Market Cap	£60
Enterprise Value	£86
Revenue	£29
Position in Market	160th / 10

Quality	86
Value	62
Momentum	91
StockRank™	92

1m   3m   YTD   **1y**   3y   All

— SMA (50)   ■ Volume

Momentum

Relative Strength (%)

1m	+1.17%	🟢
3m	+30.8%	🟢
6m	+32.8%	🟢
1y	+167%	🟢

Volume Change (%)

10d / 3m	-36.4%	🟠

Price vs... (%)

52w High	-2.98%	🟢
50d MA	+11.1%	🟢
200d MA	+24.5%	🟢

Growth & Value

12m Forecast Rolling		Industry	Market
PE Ratio (f)	9.1		
PEG Ratio (f)	n/a		
EPS Growth (f)	-10.6%		
Dividend Yield (f)	0.78%		

Valuation (ttm)		Industry	Market
Price to Book Value	3.85		
Price to Tang. Book	3.85		
Price to Free Cashflow	6.1		
Price to Sales	2.05		
EV to EBITDA	5.35		

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True objective _measurement_

100

Quality Rank   9

0

Worse "quality" than 91% of the market

True objective _measurement_

100

Quality Rank **81**

Better "quality" than 81% of the market

0

What Works

![Stockopedia]
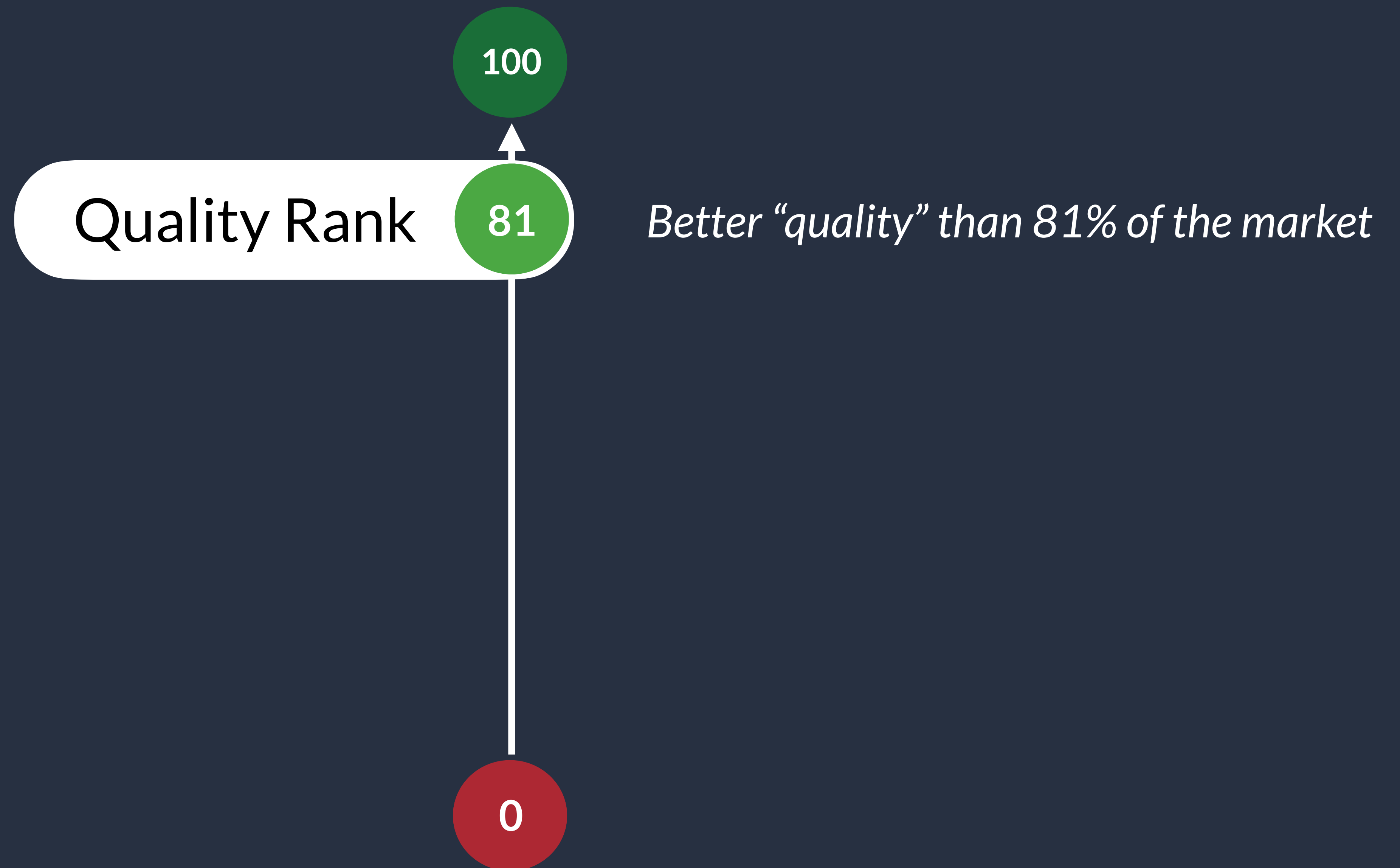
Value - *cheap beats expensive*

Measuring relative valuation against earnings, sales, book value and more

How to measure Value?

Compare the **price** of a company's shares:

1. vs what it **earns**   Price / Earnings,   Earnings Yield

                                 Price / Free Cashflow, Price / Sales

2. vs what it **owns**   Price / Book Value

3. vs what it **pays out**   Dividend Yield

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The Value Rank - bringing the factors together

Value

✓ **Earnings ratios**
- Price To Earnings
- Earnings Yield
- Price To Free Cash Flow
- Price To Sales

✓ **Assets ratios**
- Price To Book Value

✓ **Income ratios**
- Dividend Yield
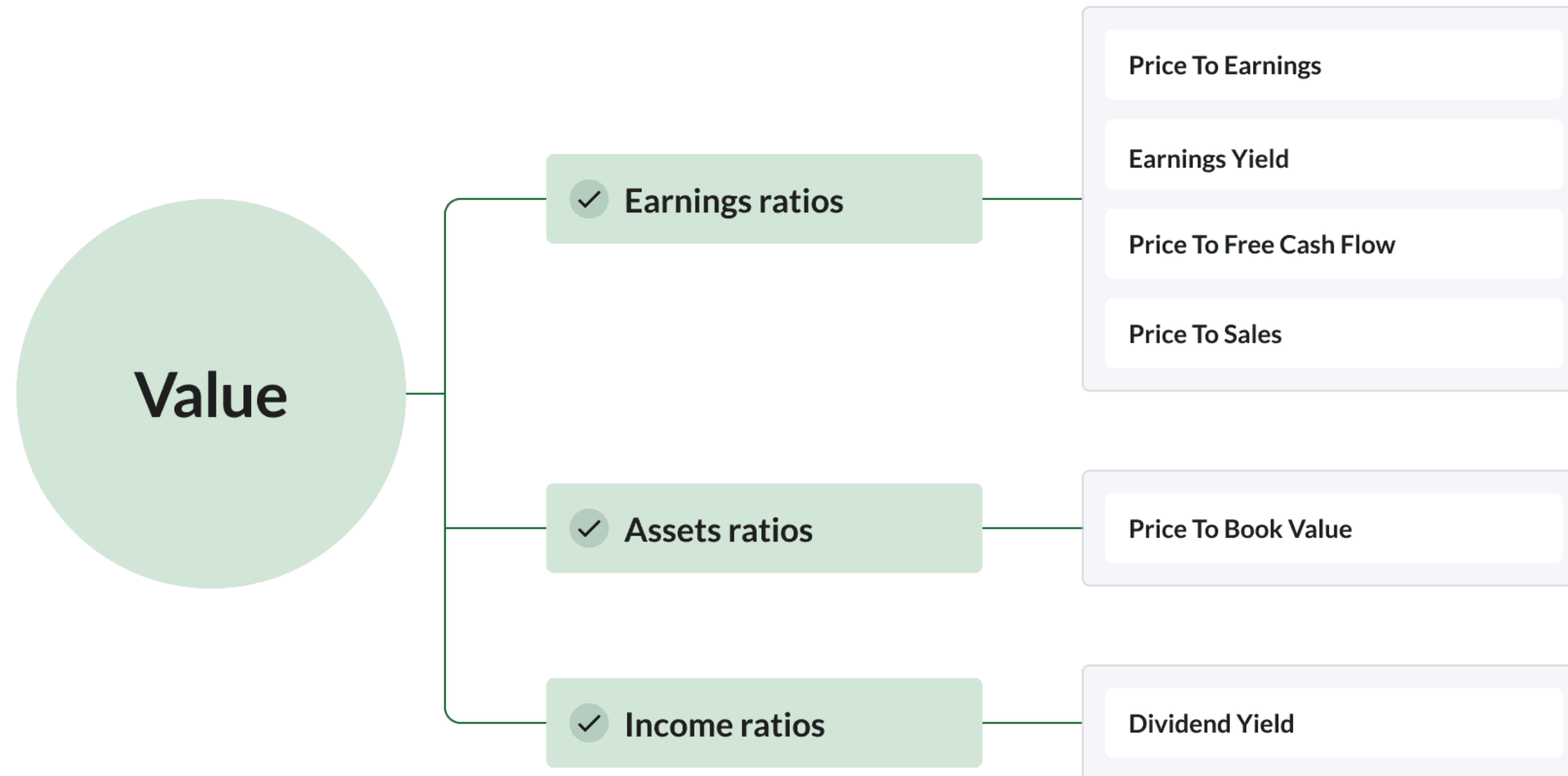
How to measure Value ?

Ticker	Name	P / E	Yield	P / S	P / B	P / FCF	EBIT / EV
TECH	Techfinancials Inc	0.3	0.0	0.6	0.4		40.5
CGEO	Georgia Capital	0.9	0.0		0.7		127.1
BWNG	N Brown	0.9	0.0	1.1	0.5		93.2
TSL	Thinksmart	1.2	0.0	0.3	0.4	2.8	8.5
BMV	Bluebird Merchant Ventures	1.5	0.8	24.6	0.8	52.3	-0.6
PDL	Petra Diamonds	1.7	3.3	1.5	0.6	71.4	32.3
PERE	Pembridge Resources	1.8	0.0	1.8	0.9	74.7	54.3
FXPO	Ferrexpo	1.8	0.0	1.9	0.6		53.0
KIE	Kier	1.8	0.0	1.5	0.6		65.6
RMM	Rambler Metals And Mining	1.8	7.6	1.7	0.7		55.7
MTL	Metals Exploration	1.8	0.0	1.7	0.5	71.1	58.6
LDG	Logistics Development	1.9	0.0	0.5	0.5	1.9	55.0
OPTI	Optibiotix Health	1.9	3.1	1.9	0.9		54.1
CPI	Capita	2.0	0.0	1.5	0.9	5.7	68.0
KDNC	Cadence Minerals	2.0	12.1	26.6	0.8	1.2	0.2
TEK	Tekcapital	2.1	0.0	-238.6	5.6		53.3
RR.	Rolls-royce Holdings	2.1	2.1	7.4	3.7		12.9

How to measure Value ?

Ticker	Name	↓ P / E	Yield	P / S	P / B	P / FCF	EBIT / EV
TECH	Techfinancials Inc	100%	100%	86%	99%		93%
CGEO	Georgia Capital	100%	100%	100%	93%		98%
BWNG	N Brown	100%	100%	76%	96%		98%
TSL	Thinksmart	100%	100%	96%	98%	95%	62%
BMV	Bluebird Merchant Ventures	100%	59%	4%	87%	15%	7%
PDL	Petra Diamonds	99%	26%	66%	95%	10%	90%
PERE	Pembridge Resources	99%	100%	61%	83%	10%	95%
FXPO	Ferrexpo	99%	100%	60%	95%		95%
KIE	Kier	99%	100%	65%	94%		97%
RMM	Rambler Metals And Mining	99%	3%	62%	91%		96%
MTL	Metals Exploration	99%	100%	63%	96%	10%	96%
LDG	Logistics Development	99%	100%	88%	98%	97%	96%
OPTI	Optibiotix Health	99%	28%	59%	81%		95%
CPI	Capita	99%	100%	66%	84%	85%	97%
KDNC	Cadence Minerals	98%	1%	3%	84%	98%	9%
TEK	Tekcapital	98%	100%	100%	17%		95%
RR.	Rolls-royce Holdings	98%	41%	19%	26%		74%

What Works?

How to measure Value ?

Ticker	Name	Value Rank
TECH	Techfinancials Inc	100%
CGEO	Georgia Capital	100%
BWNG	N Brown	100%
TSL	Thinksmart	99%
BMV	Bluebird Merchant Ventures	39%
PDL	Petra Diamonds	79%
PERE	Pembridge Resources	90%
FXPO	Ferrexpo	99%
KIE	Kier	99%
RMM	Rambler Metals And Mining	86%
MTL	Metals Exploration	92%
LDG	Logistics Development	100%
OPTI	Optibiotix Health	88%
CPI	Capita	98%
KDNC	Cadence Minerals	48%
TEK	Tekcapital	95%
RR.	Rolls-royce Holdings	52%

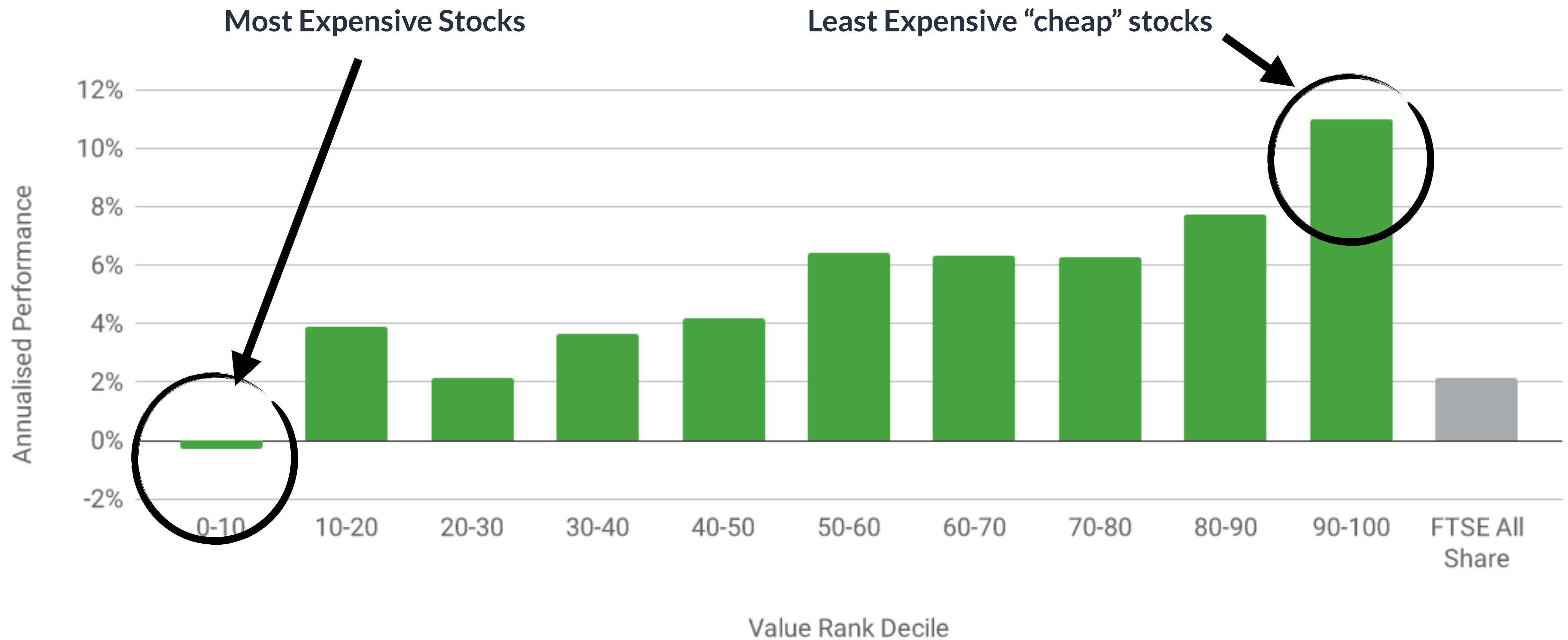# Value Rank for every stock in the market

Value Rank for every stock in the market
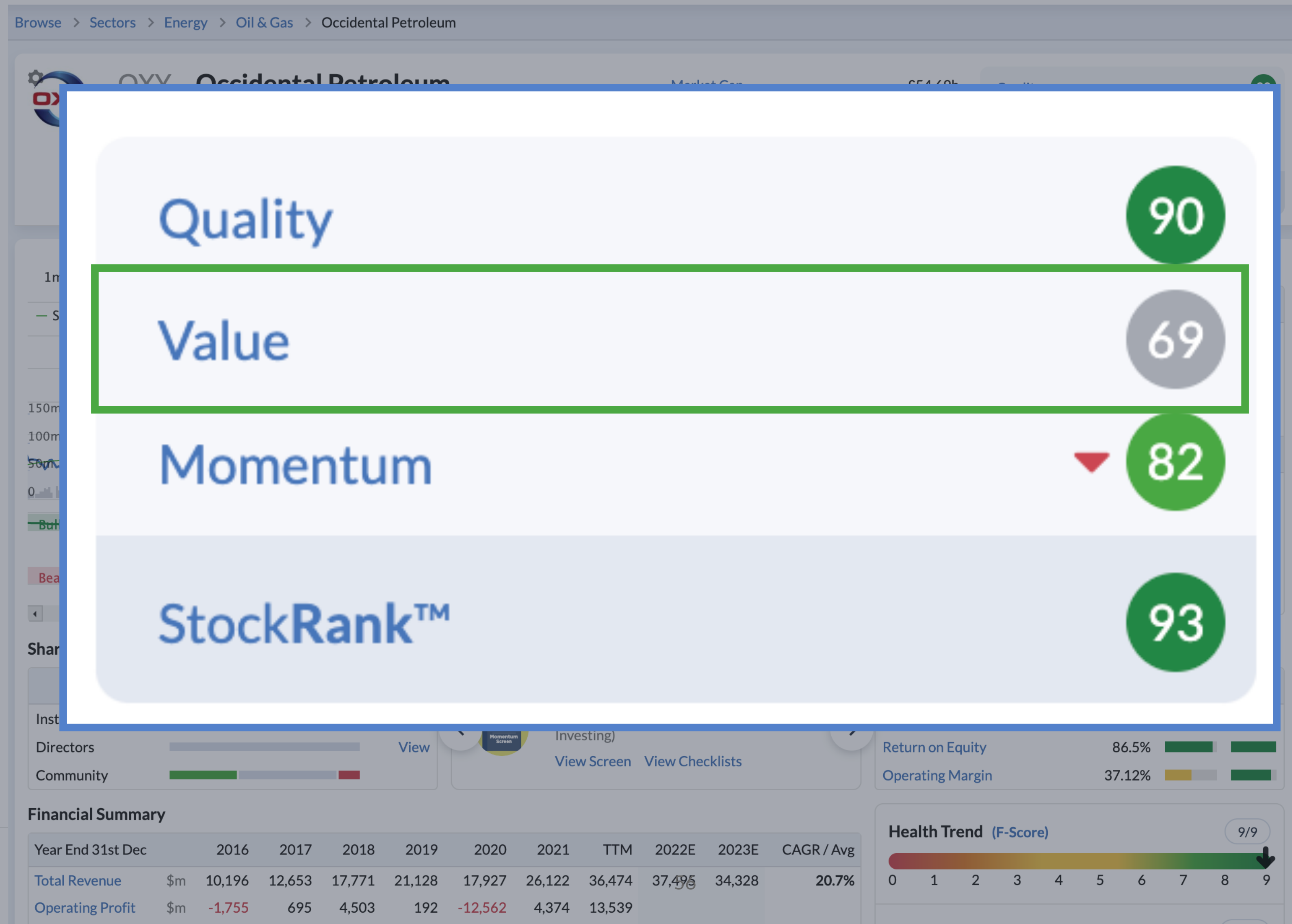
The Value Rank - performance over time

Most Expensive Stocks

Least Expensive "cheap" stocks

Quality - *"good" beats junk*

Measuring profitability, margins, stability, cash generation and risk

Stockopedia

How to measure Quality

1. **Franchise** - is this a **profitable, cash generative, stable** business**?**

- Long term Return on Capital Employed
- Gross Profits to Assets
- Long term Free Cash-flow to Assets

- Long term Operating Margin Stability
- Long term Sales Growth Consistency

Novy Marx

2. **Direction** - are the company's fundamentals **improving?**

A 9 Point checklist measuring the year on year changes in:
- Profitability and cashflow
- leverage, liquidity, funding and operating efficiency

Piotroski

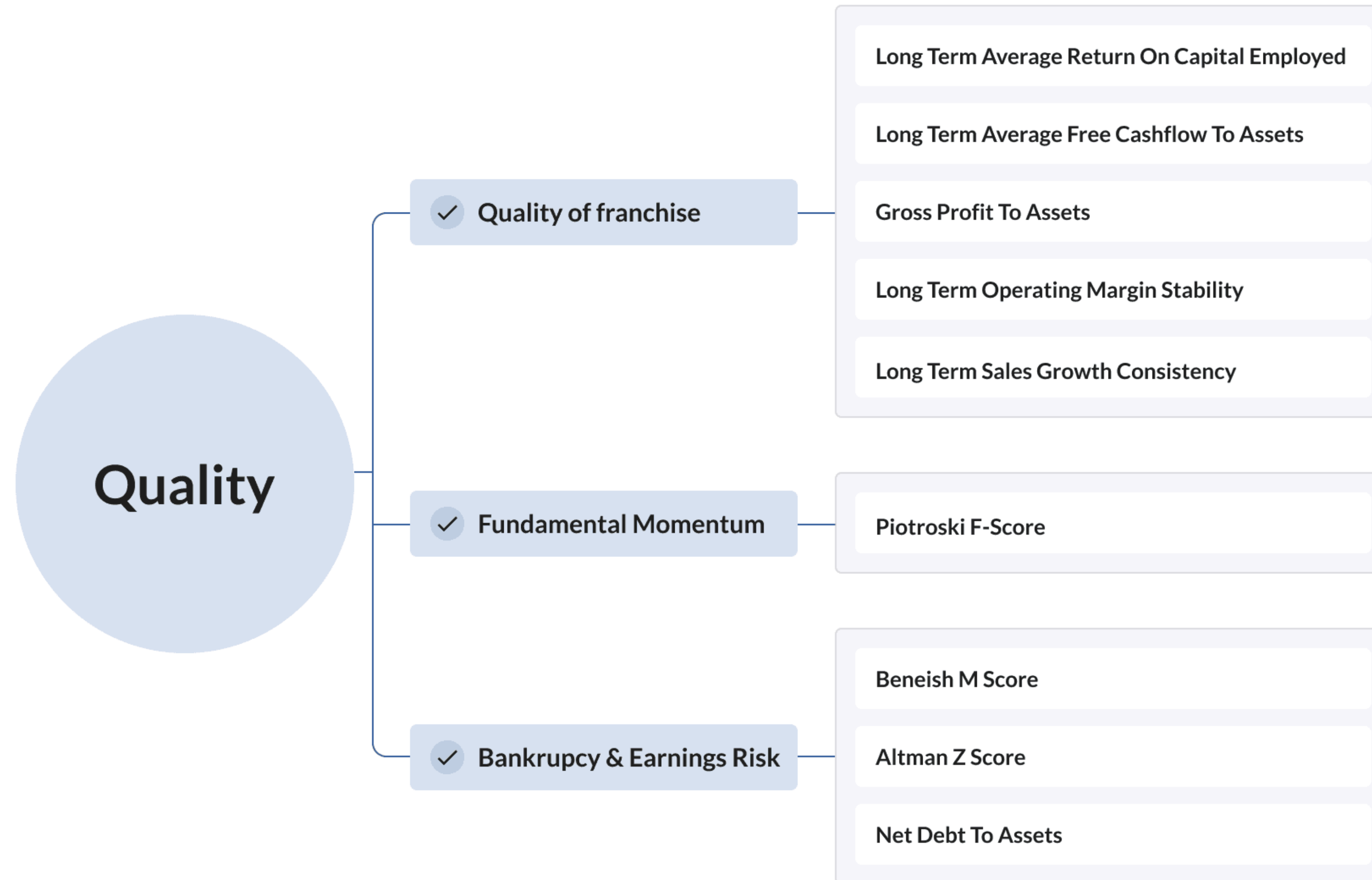## 3. **Safety** - is it free from financial and earnings **risks**?

Additional checks on :
- Bankruptcy Risk
- Earnings Manipulation Risk

Beneish

Stockopedia

The Quality Rank - bringing the factors together

Quality

Quality of franchise
- Long Term Average Return On Capital Employed
- Long Term Average Free Cashflow To Assets
- Gross Profit To Assets
- Long Term Operating Margin Stability
- Long Term Sales Growth Consistency

Fundamental Momentum
- Piotroski F-Score

Bankrupcy & Earnings Risk
- Beneish M Score
- Altman Z Score
- Net Debt To Assets

The Quality Rank - bringing the factors together

Ticker	Name	Return on Capital	Gross Profitability	Free Cashflow to Assets	Margin Stability	Sales Growth Persistence	Fundamental Trend	Bankruptcy Risk	Earnings Manipulation Risk
TECH	Techfinancials Inc	100%	3%	59%	44%	61%	66%	100%	3%
CGEO	Georgia Capital	12%	97%	96%	97%	70%	96%	33%	7%
BWNG	N Brown	54%	97%	87%	49%	51%	85%	98%	7%
TSL	Thinksmart	71%	13%	65%	97%	44%	66%	73%	60%
BMV	Bluebird Merchant Ventures	87%	60%	83%	34%	97%	96%	24%	98%
PDL	Petra Diamonds	87%	97%	72%	80%	49%	85%	11%	7%
PERE	Pembridge Resources	42%	36%	86%	89%	82%	66%	15%	6%
FXPO	Ferrexpo	48%	44%	74%	4%	78%	66%	72%	93%
KIE	Kier	100%	97%	99%	95%	88%	96%	24%	7%
RMM	Rambler Metals And Mining	33%	49%	70%	75%	78%	66%	98%	7%
MTL	Metals Exploration	69%	97%	89%	87%	67%	85%	4%	7%
LDG	Logistics Development	97%	97%	77%	42%	79%	66%	3%	7%
OPTI	Optibiotix Health	45%	23%	82%	48%	97%	42%	3%	3%
CPI	Capita	89%	61%	78%	100%	21%	66%	24%	94%
KDNC	Cadence Minerals	88%	70%	88%	70%	23%	42%	91%	4%
TEK	Tekcapital	54%	51%	78%	89%	95%	66%	5%	7%
RR.	Rolls-royce Holdings	34%	67%	89%	77%	75%	19%	8%	2%
PNS	Panther Securities P L C	80%	79%	4%	59%	36%	66%	98%	92%

What Works

62

The Quality Rank - bringing the factors together

Ticker	Name	Quality Rank
TECH	Techfinancials Inc	36%
CGEO	Georgia Capital	23%
BWNG	N Brown	32%
TSL	Thinksmart	75%
BMV	Bluebird Merchant Ventures	57%
PDL	Petra Diamonds	43%
PERE	Pembridge Resources	39%
FXPO	Ferrexpo	71%
KIE	Kier	15%
RMM	Rambler Metals And Mining	52%
MTL	Metals Exploration	41%
LDG	Logistics Development	57%
OPTI	Optibiotix Health	74%
CPI	Capita	67%
KDNC	Cadence Minerals	42%
TEK	Tekcapital	84%
RR.	Rolls-royce Holdings	81%
PNS	Panther Securities P L C	51%

63

Quality Rank - for every stock in the market

Quality Rank - for every stock in the market

Browse > Sectors > Energy > Oil & Gas > Occidental Petroleum

Quality	90
Value	69
Momentum	▼ 82
StockRank™	93

What Works

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The Quality Rank - performance over time

Lowest Quality Stocks

Highest Quality stocks

Quality Rank Decile

Annualised Performance

12%
10%
8%
6%
4%
2%
0%
-2%
-4%

0-10   10-20   20-30   30-40   40-50   50-60   60-70   70-80   80-90   90-100   FTSE All Share
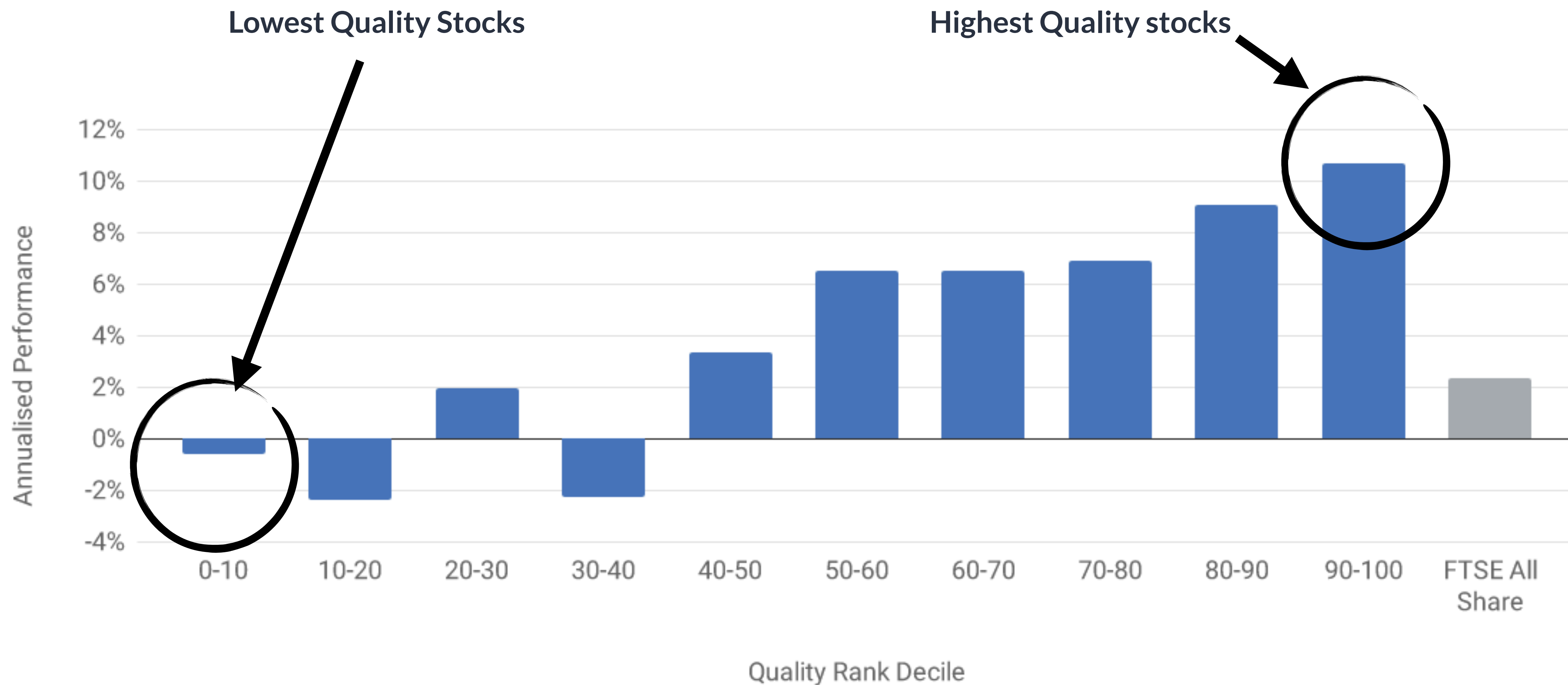
Momentum - *strong beats weak*

Measuring the power of trends in share prices and analyst expectations

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Momentum is the general tendency for...

- *Stocks that have performed well in the recent past to continue to perform well in future.*

- *Stocks that have performed poorly in the recent past to continue to perform poorly in future.*

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A classic Momentum example

FINANCIAL TIMES

ADVENTUROUS INVESTOR   February 22, 2013 6:28 pm

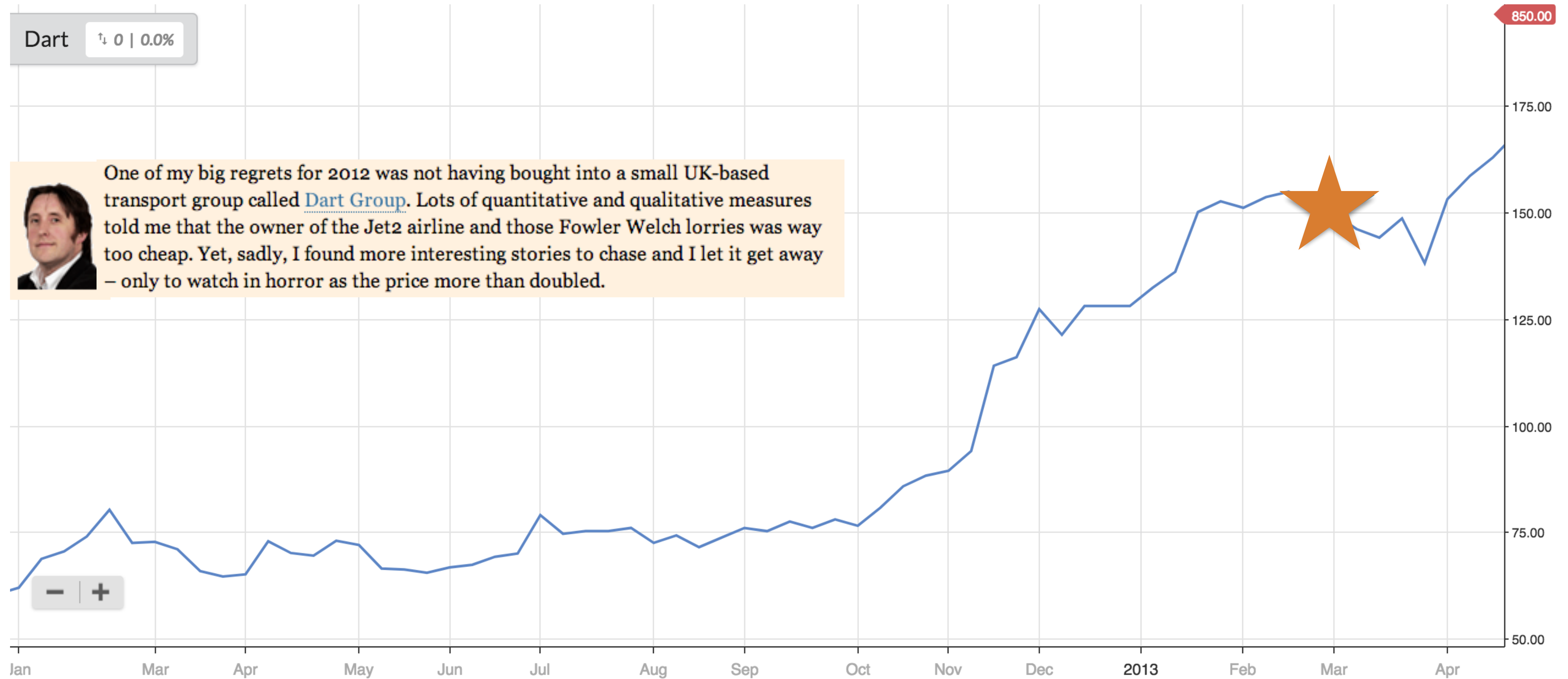### Stock screens to net the ones that got away

By David Stevenson
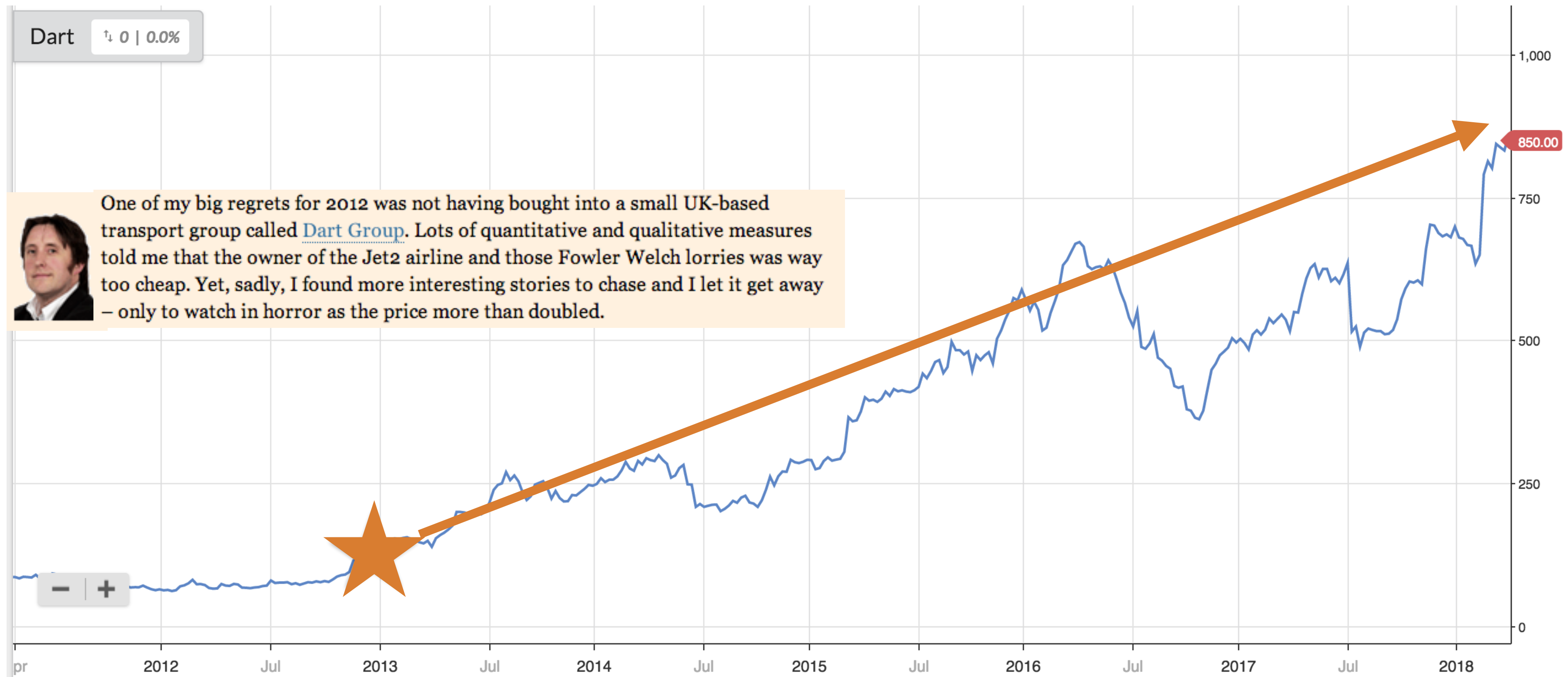
How to take some of the emotion out of investing

A large part of investing is an exercise in regret, with most anguish focused on the "ones that got away".

One of my big regrets for 2012 was not having bought into a small UK-based transport group called Dart Group. Lots of quantitative and qualitative measures told me that the owner of the Jet2 airline and those Fowler Welch lorries was way too cheap. Yet, sadly, I found more interesting stories to chase and I let it get away – only to watch in horror as the price more than doubled.

A classic **Momentum** example

One of my big regrets for 2012 was not having bought into a small UK-based transport group called Dart Group. Lots of quantitative and qualitative measures told me that the owner of the Jet2 airline and those Fowler Welch lorries was way too cheap. Yet, sadly, I found more interesting stories to chase and I let it get away – only to watch in horror as the price more than doubled.

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A classic Momentum example

Dart   ↕ 0 | 0.0%

One of my big regrets for 2012 was not having bought into a small UK-based transport group called Dart Group. Lots of quantitative and qualitative measures told me that the owner of the Jet2 airline and those Fowler Welch lorries was way too cheap. Yet, sadly, I found more interesting stories to chase and I let it get away – only to watch in horror as the price more than doubled.

850.00

1,000
750
500
250
0

pr   2012   Jul   2013   Jul   2014   Jul   2015   Jul   2016   Jul   2017   Jul   2018

How to measure Momentum ?

Momentum in **Share Prices**
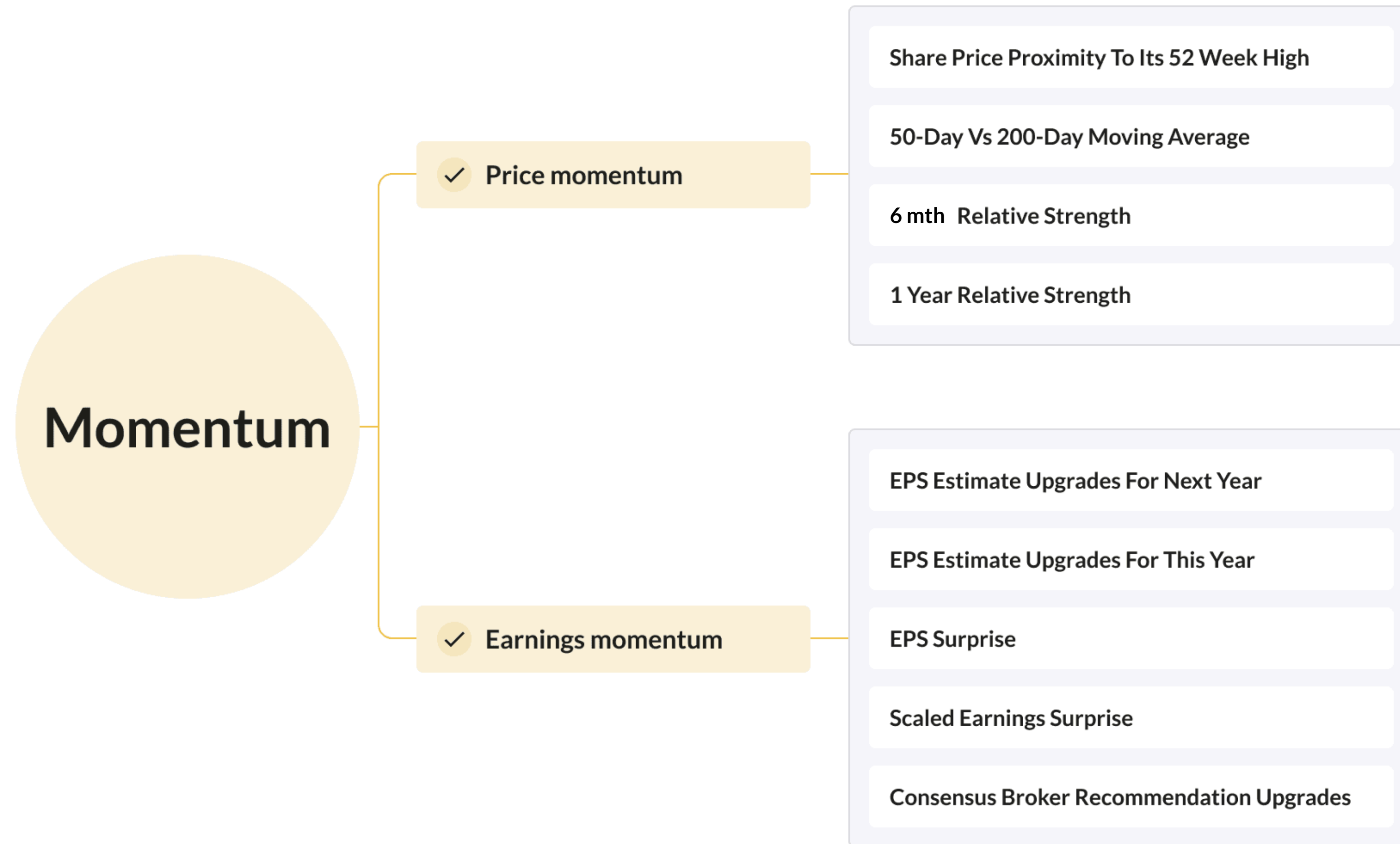
Recent 6m-1y share price strength.

52 week highs.   Price above Moving Averages.

Momentum in **Analyst forecasts**

Earnings forecast upgrades.   Recommendation upgrades.

Earnings beating forecasts (surprise).

Stockopedia

The Momentum Rank - bringing the factors together

Momentum

Price momentum
- Share Price Proximity To Its 52 Week High
- 50-Day Vs 200-Day Moving Average
- 6 mth Relative Strength
- 1 Year Relative Strength

Earnings momentum
- EPS Estimate Upgrades For Next Year
- EPS Estimate Upgrades For This Year
- EPS Surprise
- Scaled Earnings Surprise
- Consensus Broker Recommendation Upgrades

What Works

75

Momentum Rank - for every stock in the market

Momentum Rank - for every stock in the market

Browse > Sectors > Energy > Oil & Gas > Occidental Petroleum

Occidental Petroleum

Quality	90
Value	69
Momentum	▼ 82
StockRank™	93

Return on Equity 86.5%
Operating Margin 37.12%

View Screen   View Checklists

Health Trend (F-Score)   9/9

0 1 2 3 4 5 6 7 8 9

Financial Summary

Year End 31st Dec		2016	2017	2018	2019	2020	2021	TTM	2022E	2023E	CAGR / Avg
Total Revenue	$m	10,196	12,653	17,771	21,128	17,927	26,122	36,474	37,495	34,328	20.7%
Operating Profit	$m	-1,755	695	4,503	192	-12,562	4,374	13,539			

What Works

Stockopedia

The **Momentum Rank** - performance over time

Weakest momentum stocks

Strongest momentum stocks
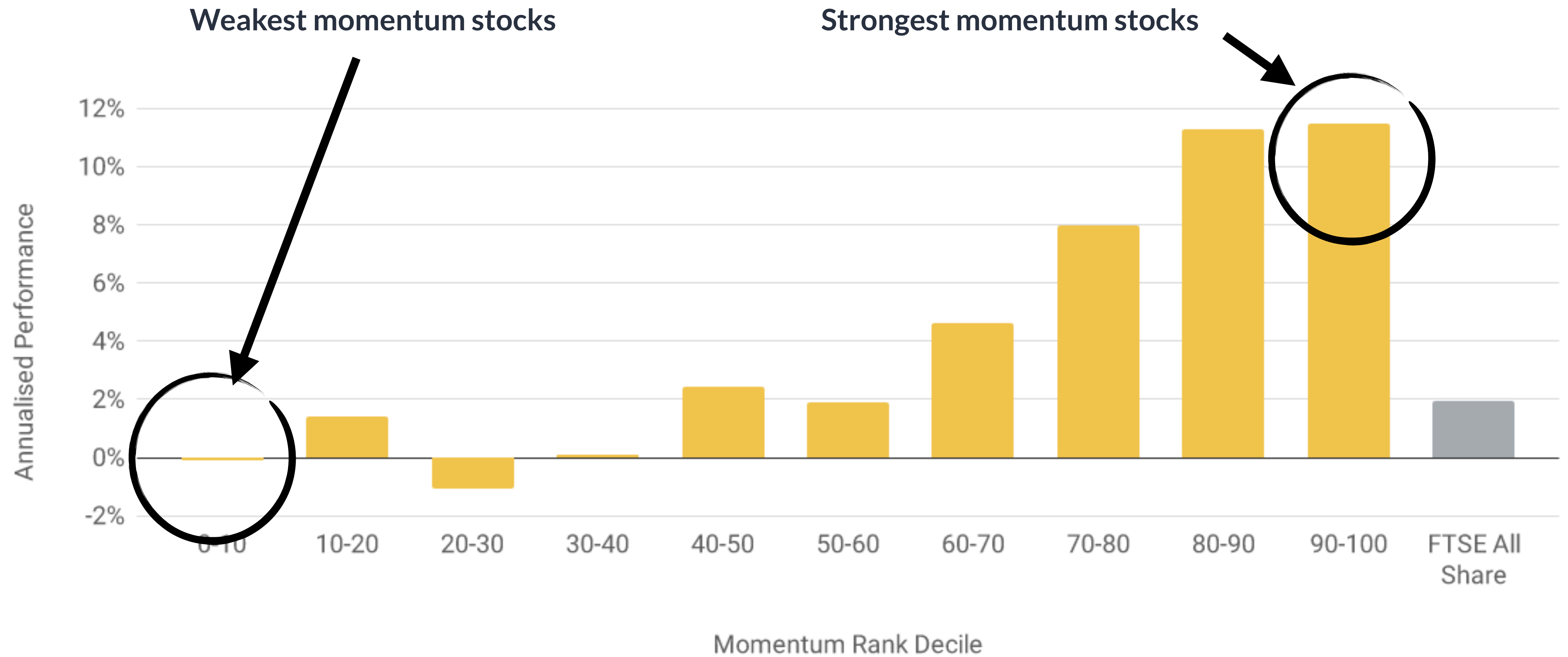
Quality, Value and Momentum

These return drivers are *more powerful together,* *than they are individually*

StockRank - quality, value and momentum

StockRank - quality, value and momentum

Browse > Sectors > Energy > Oil & Gas > Occidental Petroleum

OXY – Occidental Petroleum
$70.48 ↑ 2.55 +3.75%

🇺🇸 Last trade – yesterday at 9:10 pm   Full quote

Energy · Adventurous · Large Cap · Super Stock

Market Cap	£54.69b
Enterprise Value	£79.92b
Revenue	£31.14b
Position in Market	186th / 10,705

Quality	90
Value	69
Momentum	▼ 82
StockRank™	93

1m 3m 6m YTD **1y** 2y 3y 5y All

— SMA (50) ■ Volume

Momentum

Relative Strength (%)
1m	-0.481% ●
3m	+16.5% ●
6m	+11.4% ●
1y	+160% ●

Volume Change (%)
10d / 3m	-27.6% ●

Price vs... (%)
52w High	-8.62% ●
50d MA	+4.76% ●
200d MA	+16.6% ●

Growth & Value

12m Forecast Rolling		Industry	Market
PE Ratio (f)	8.7		
PEG Ratio (f)	n/a		
EPS Growth (f)	-11.5%		
Dividend Yield (f)	0.83%		

Valuation (ttm)		Industry	Market
Price to Book Value	3.38		
Price to Tang. Book	3.38		
Price to Free Cashflow	5.3		
Price to Sales	1.76		
EV to EBITDA	4.54		

Shareholder Activity ❓

Buy / Hold / Sell		
Institutions		View
Directors		View
Community		

Screens Passed: 5 Long 1 Short

OXY qualifies for **Josef Lakonishok Momentum Screen** (Momentum Investing)

View Screen   View Checklists

Quality

		Industry	Market
Return on Capital	21.1%		
Return on Equity	86.5%		
Operating Margin	37.12%		

Health Trend (F-Score)   9/9

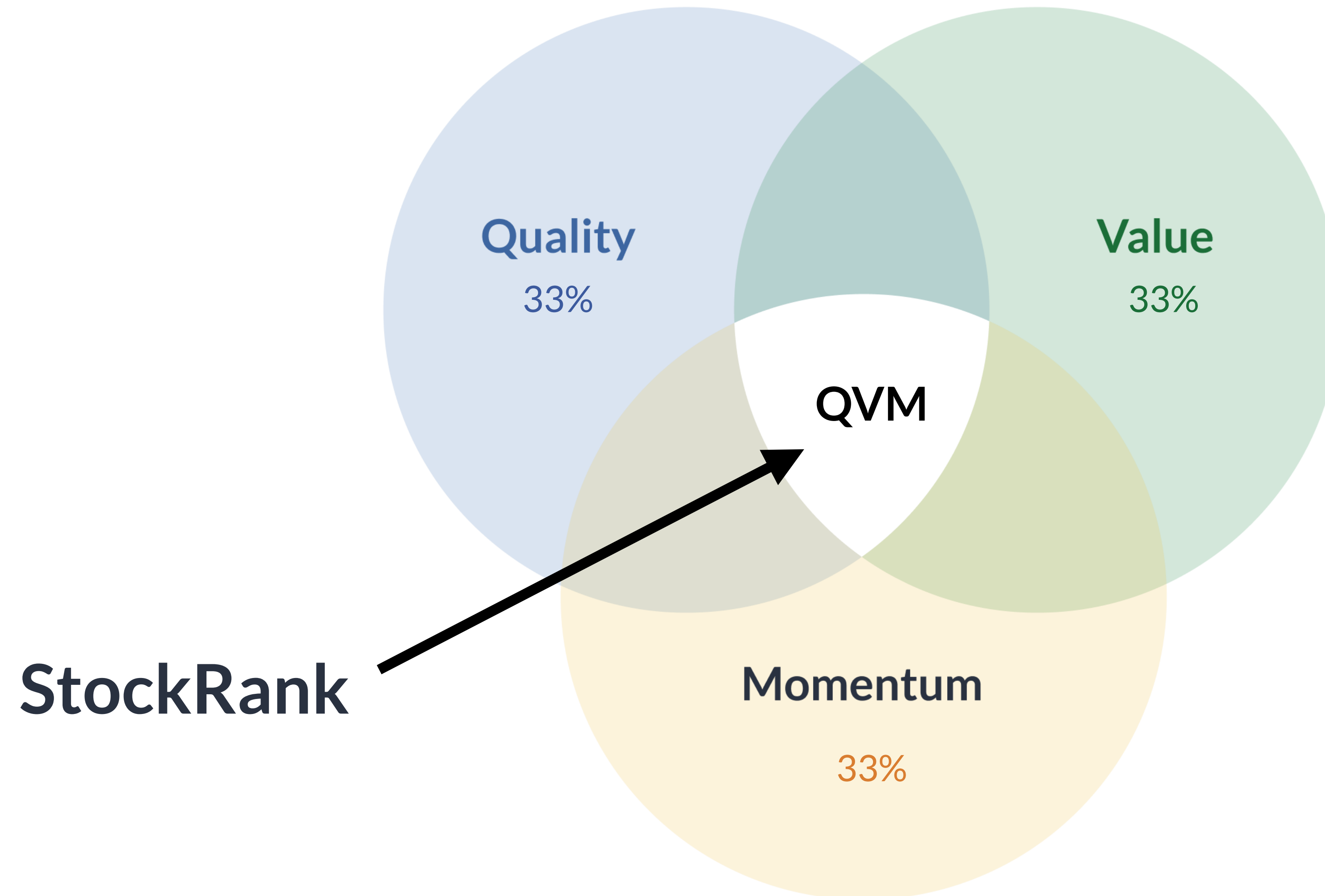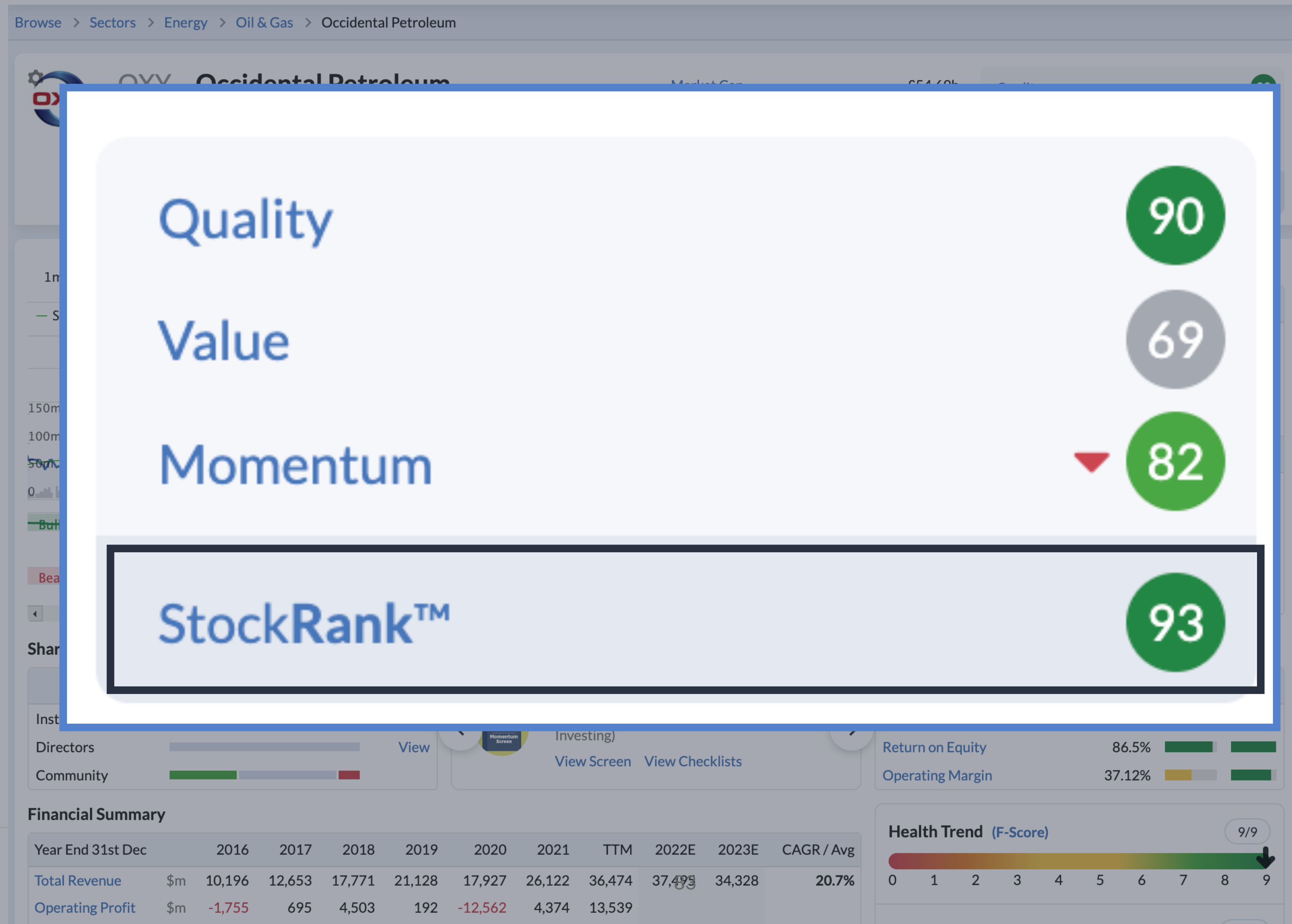0 1 2 3 4 5 6 7 8 9

Financial Summary

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What Works

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StockRank - quality, value and momentum

StockRank Performance History

* Based on equal weighted portfolios of UK stocks, > £10m market cap, segmented by StockRank decile, rebalanced quarterly
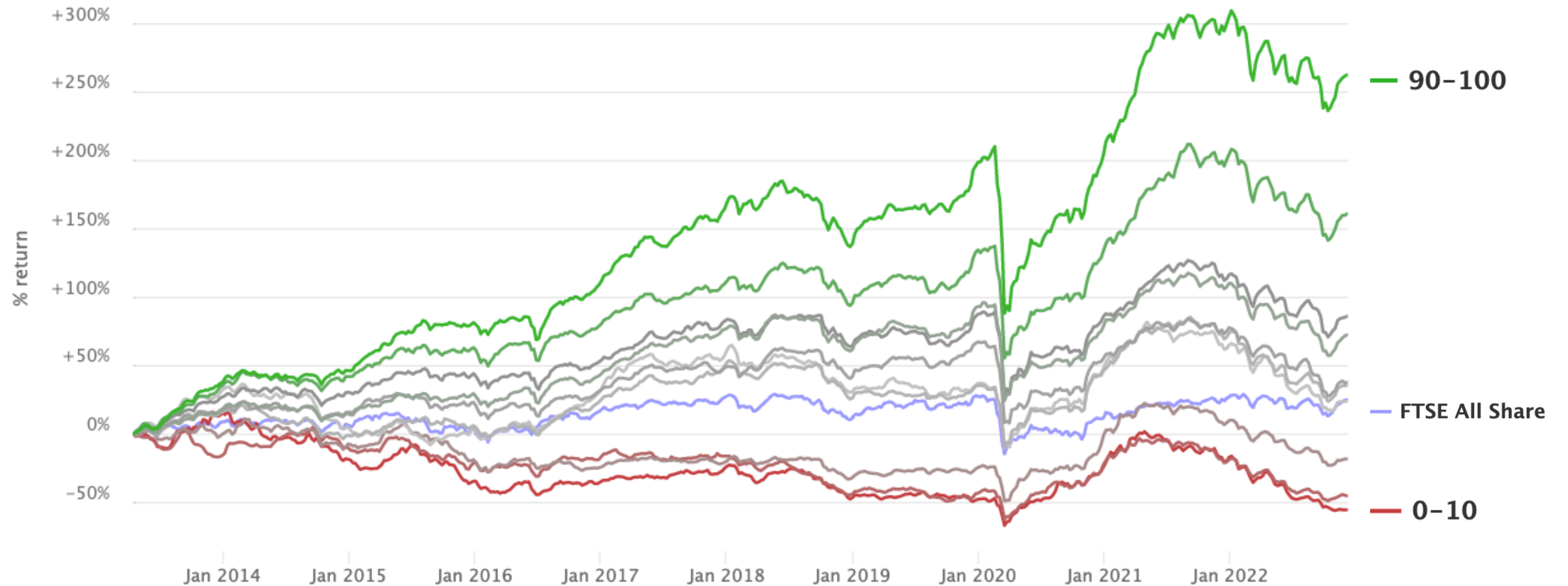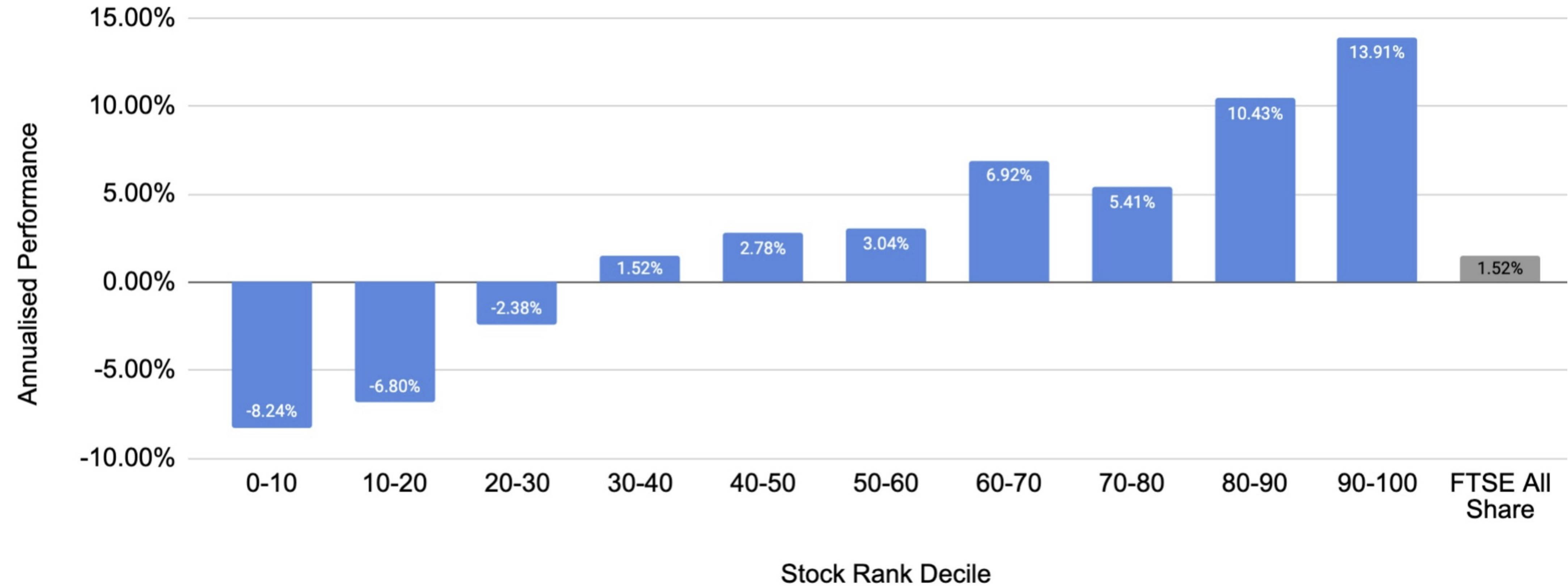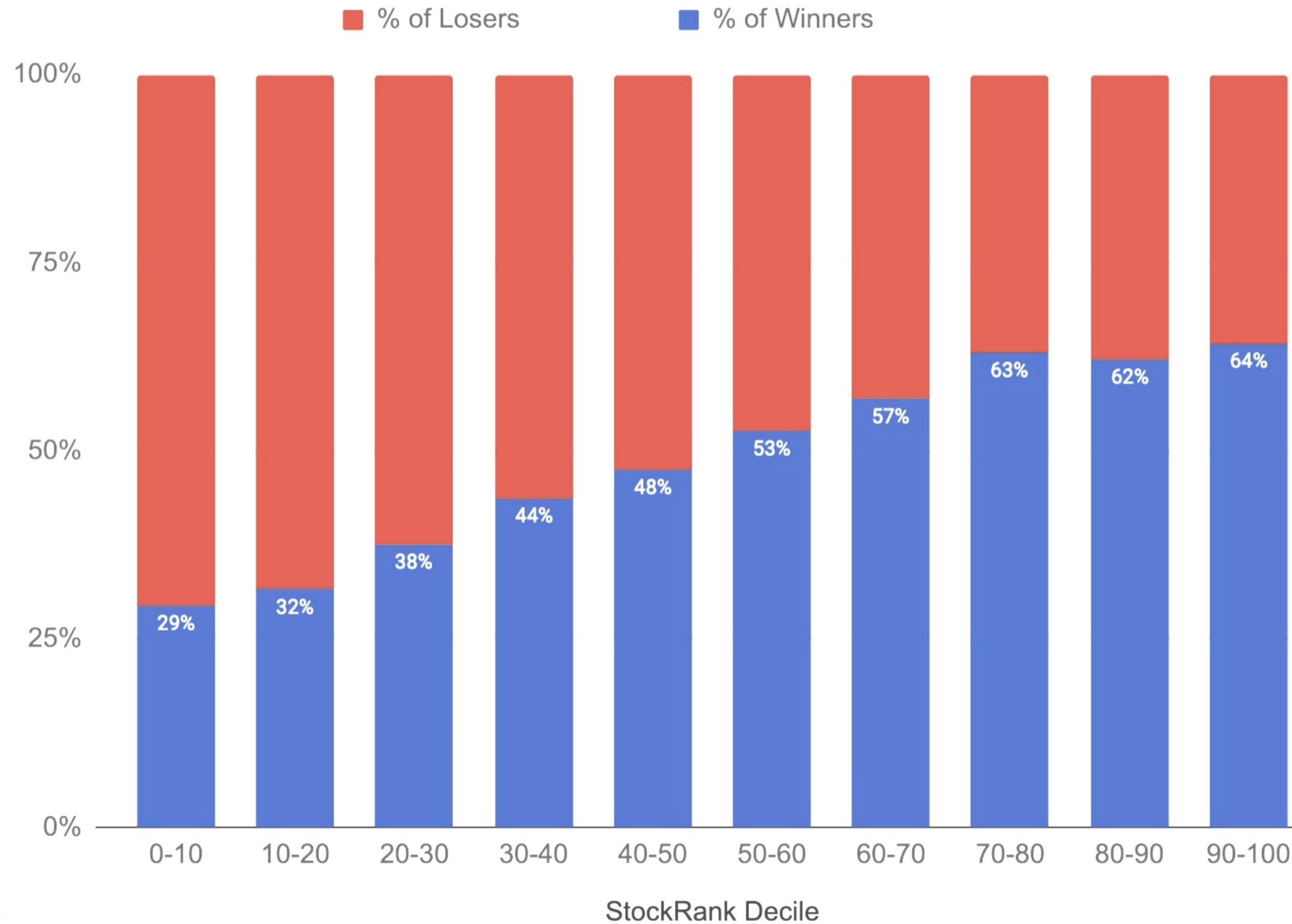
StockRank Performance History

Based on equal weighted portfolios of UK stocks, > £10m market cap, segmented by StockRank decile, rebalanced quarterly

Hit Rate of Picking "winners"

Based on the average annual number of winners and losers in each StockRank bucket

Why are high ranked shares so often <u>underpriced?</u>

- Investors avoid **value** stocks as they often have problems 😩

- Investors avoid **quality** stocks as they are often boring 💤

- Investors avoid **momentum** stocks due to their "high" prices 🪂

Investing <u>rationally</u> is contrary to human nature!

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Investor Results

Real impact and results for thousands of private investors

Before - unstructured process

James

Subscriber

"

I used to take a very unstructured approach when picking investments. I would use tips from financial publications to give me pointers and simplified financials to screen.

John

Subscriber

"

My previous approach was haphazard. I used a mix of sources - magazines, internet etc - that were often contradictory and combined this with very limited research.

Nick

Subscriber

"

To be honest it was fairly difficult, it was probably **looking at the press, internet, tips** - not particularly structured, **never felt fully confident** about what I was investing in.

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After - discipline, confidence & results

James
Subscriber

"

I now make **decisions that are far more grounded in data**. My **results have improved** significantly. I feel more **confident in my decisions** and results beat market indexes.

John
Subscriber

"

I screen potential purchases using the StockRanks, Styles and RiskRatings. The **overall result has been market out-performance**. This is pretty impressive given how hard it is to beat a total return index.
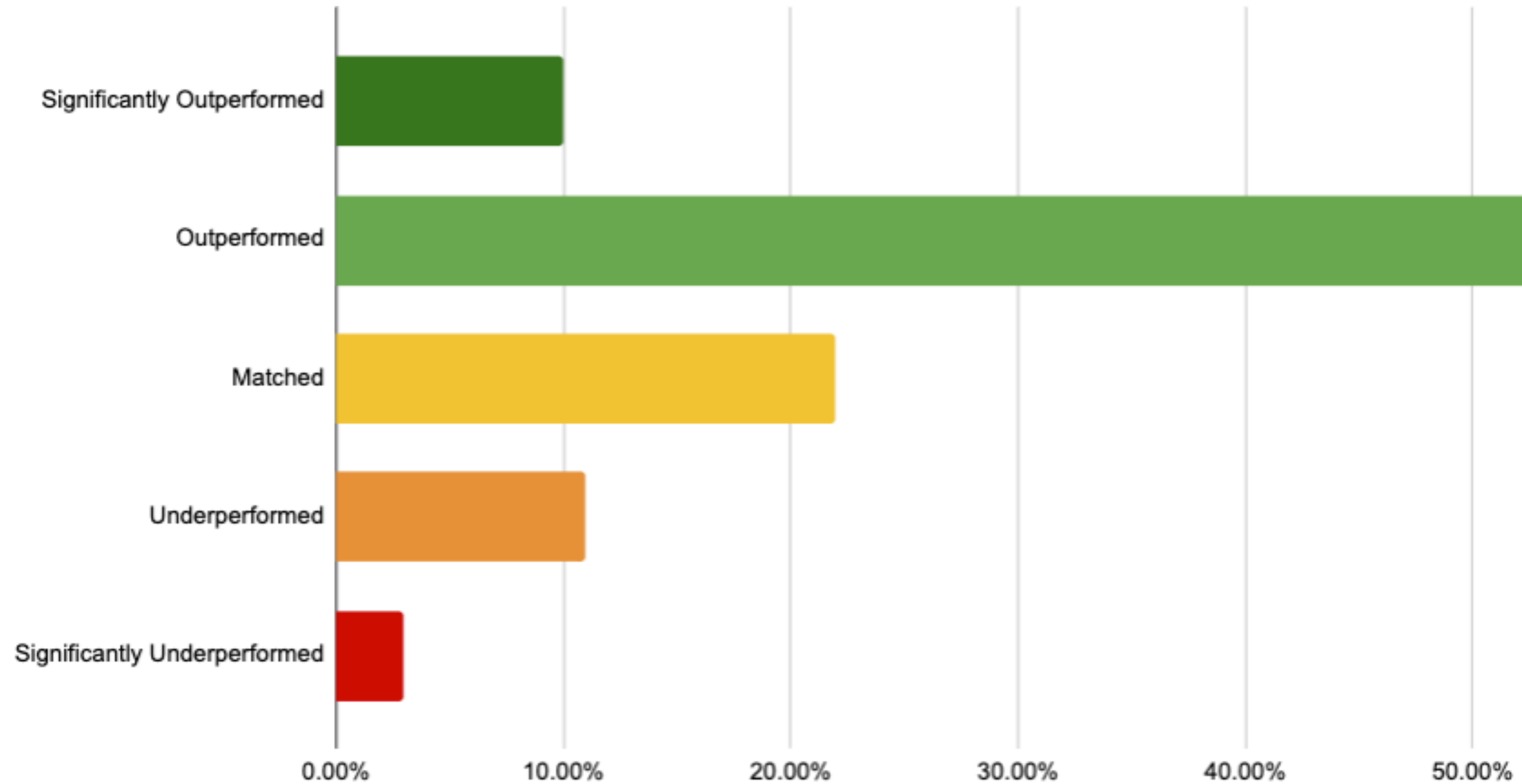
Nick
Subscriber

"

It's had a **very positive impact** in terms of being able to do research. **My financial results have been far better** as a result of having that information and being able to make the best choices.
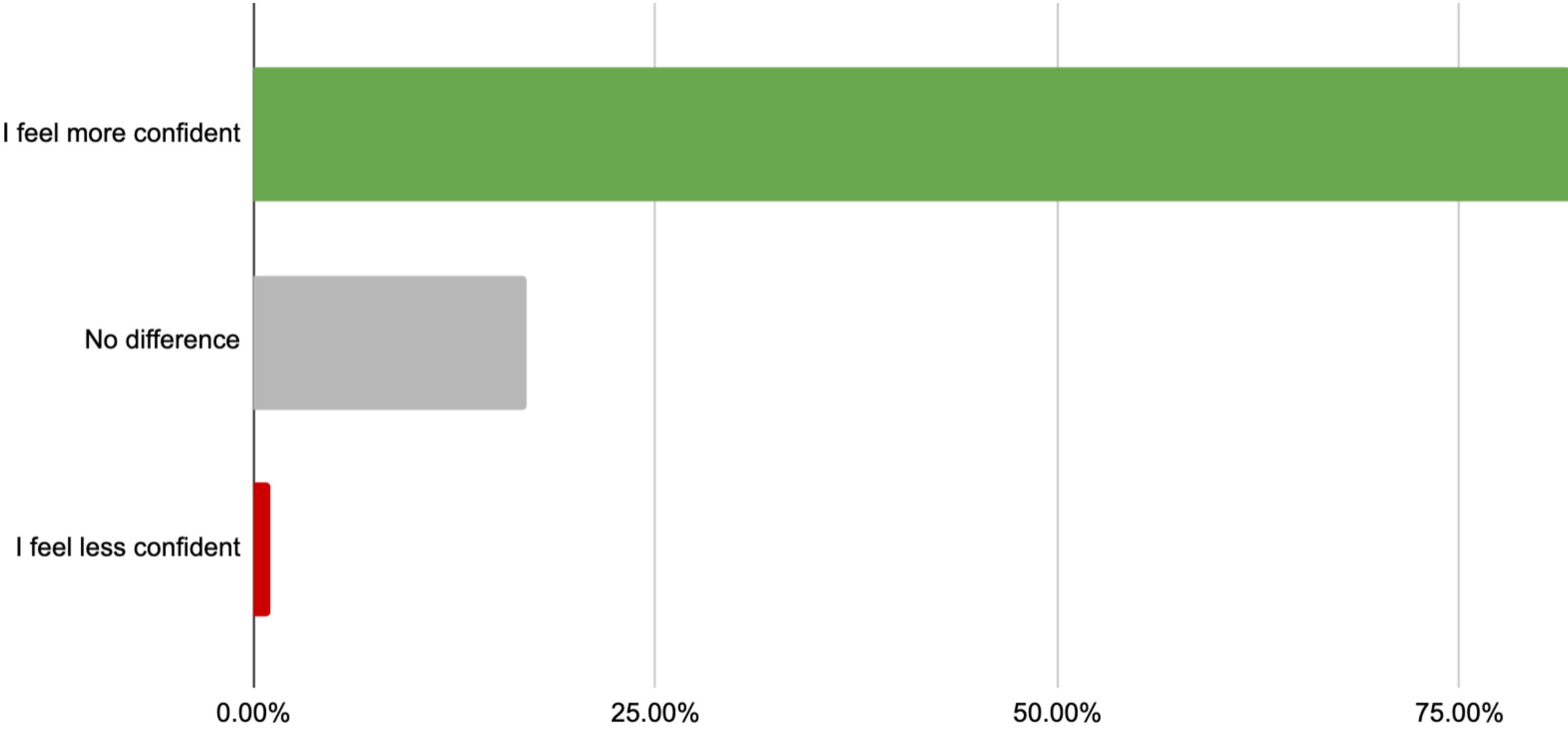
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Subscriber Survey

Since subscribing to Stockopedia has your **performance** outperformed or underperformed the market?
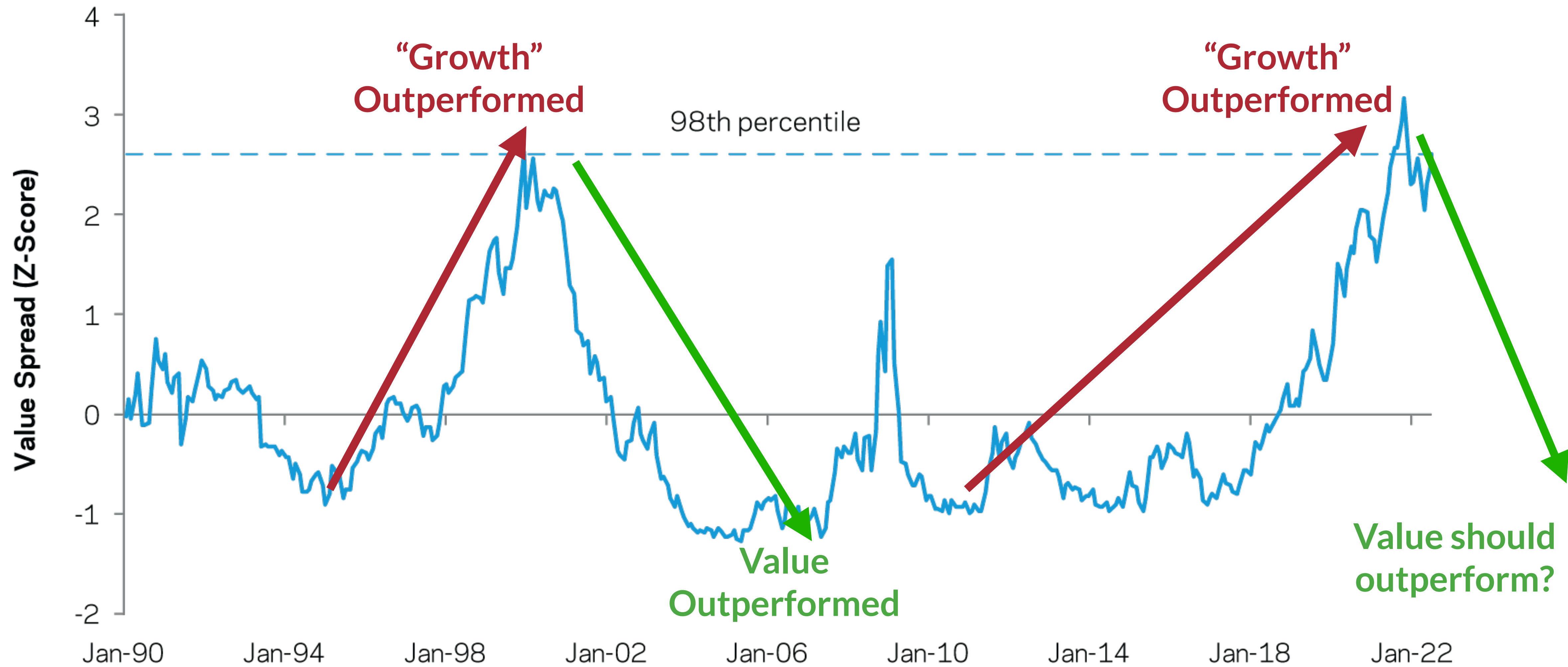
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Subscriber Survey

Do you feel more or less **confident** in your understanding of the market since using Stockopedia?

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Structural shift to "Value" stocks?

Fama & French - 12 month value resilience

Legend: ■ Small Caps ■ Large Caps

Y-axis: 10.00%, 0.00%, -10.00%, -20.00%, -30.00%

Categories: Value (cheap), Neutral, Growth (expensive)

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🇺🇸 US Value Stocks - dramatic outperformance

80-100
Value Rank

+160% since
pandemic low

Legend: S&P 500 | 0-20 | 20-40 | 40-60 | 60-80 | 80-100

Y-axis: % return — 0%, +25%, +50%, +75%, +100%, +125%, +150%, +175%, +200%, +225%

X-axis: Date — May 2020, Sep 2020, Jan 2021, May 2021, Sep 2021, Jan 2022, May 2022, Sep 2022
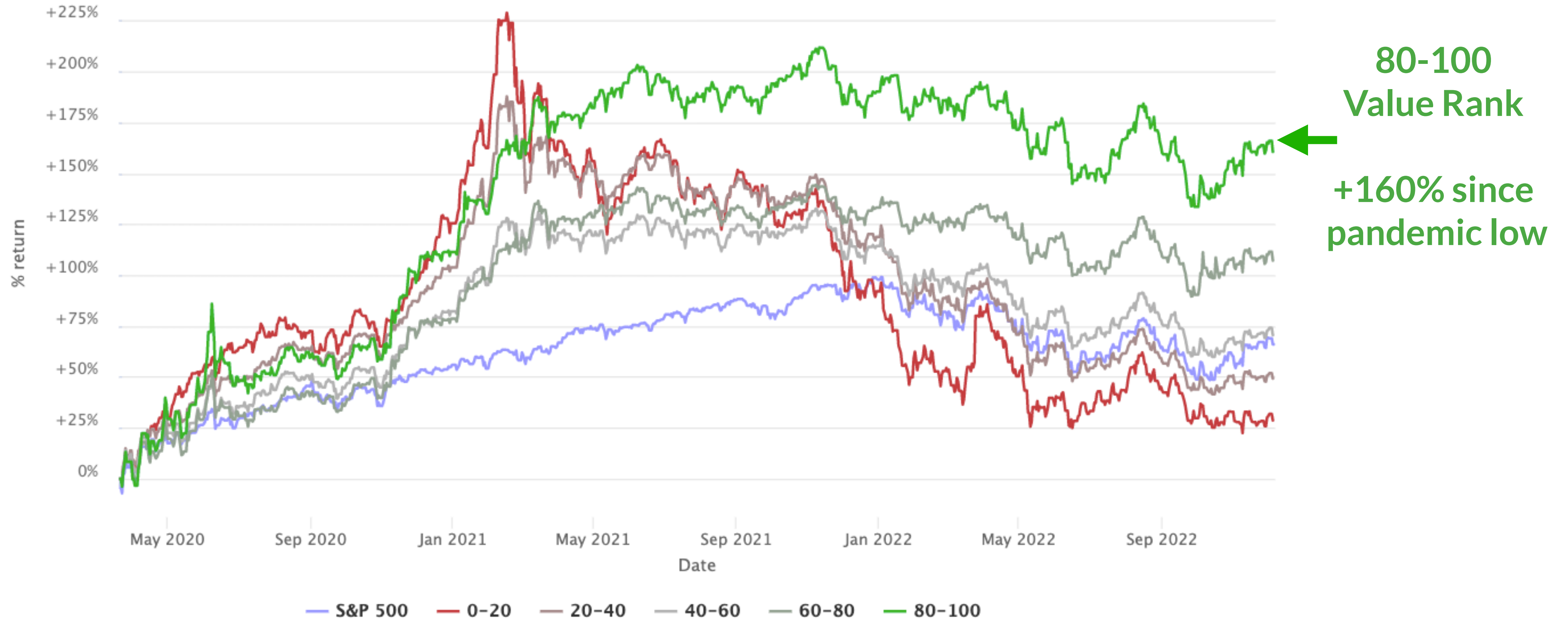
🇬🇧 UK Value Outperformance
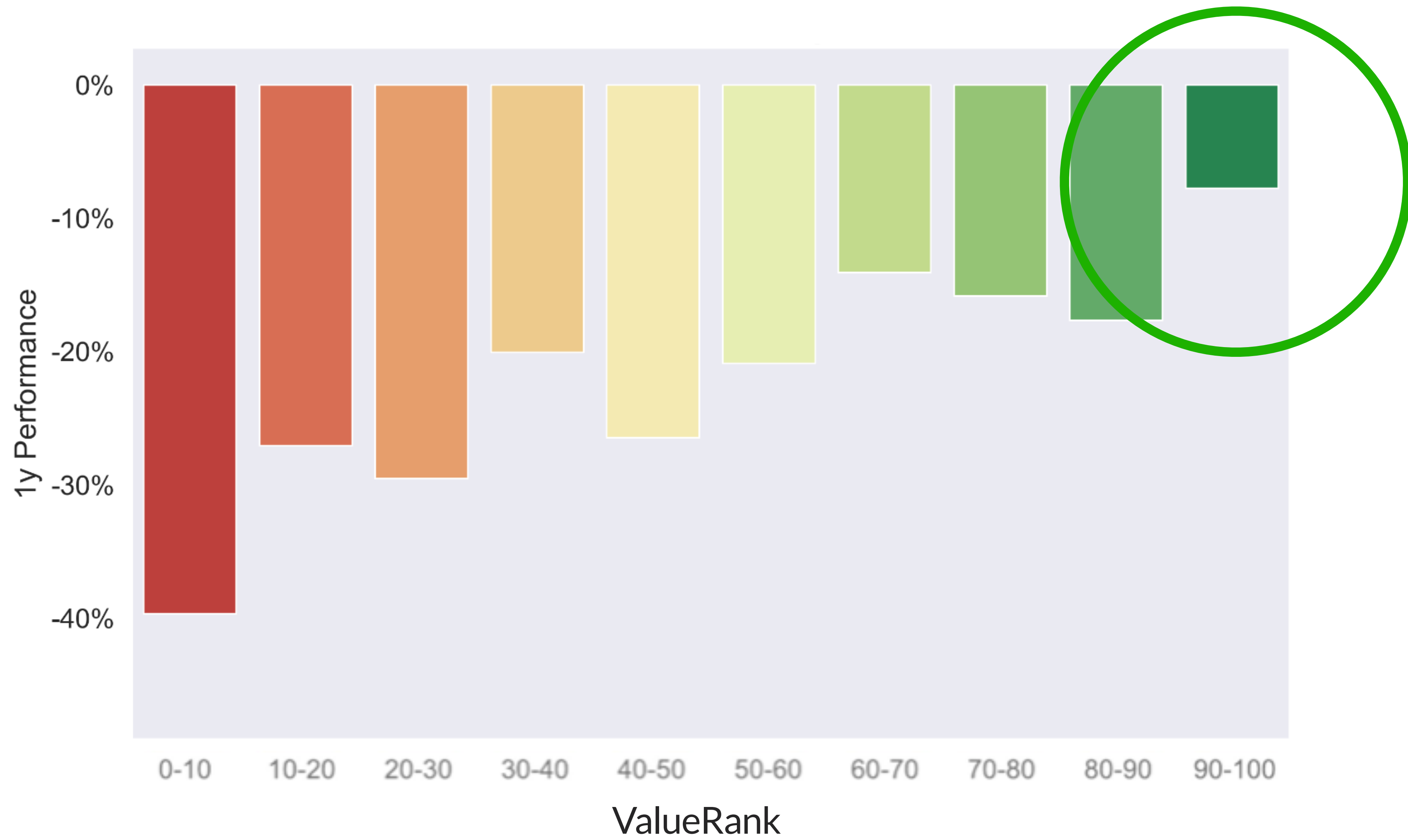
1y Performance (y-axis) vs _ValueRank_ (x-axis), with bars for ValueRank buckets 0-10, 10-20, 20-30, 30-40, 40-50, 50-60, 60-70, 70-80, 80-90, 90-100.

🇬🇧 Top Strategy in last 1 year AND 10 years

Top 20 stocks by **VM Rank** - Value and Momentum

17% annualised over 9.5 years. -6% in last 12 months.

Currently heavily weighted towards mid-large cap Financials & Energy stocks.

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Rules from Bear Market Bottoms

Table #1: 8 Bear Markets Going Back to June 1926

Fama-French Plus Momentum Factors, Average Monthly Returns (%)

	Market premium (Mkt-RF)	Small size (SMB)	Value (HML)	Momentum (MOM)	Profitability (RMW)	Conservative investments (CMA)
All Months	0.67	0.19	0.35	0.66	0.26	0.27
Bull Markets	1.27	0.27	0.29	0.52	0.14	0.12
Bear Markets	-3.70	-0.34	0.76	1.64	1.10	1.32
12M Pre Bear Mkt	1.76	0.14	-0.03	1.44	-0.24	0.21
12M After Bear Mkt	3.25	1.02	1.16	-2.06	-0.24	0.26

*Average returns through January 2020. Mkt-RF, SMB, and HML data starts in July 1926. Momentum data starts in January 1927, and profitability and investment factors data start in July 1963
Source: Ken French Data Library and Bridgeway calculations

Rules from Bear Market Bottoms

When a bear market bottoms.

- Pure **Momentum stocks** become "those that have fallen the least"… not those with the best likelihood of future outperformance. Thus the 'highest momentum' stocks tend to lag in the recovery.

- **Quality Stock** valuations can have significantly compressed, but <u>often lag in the early recovery</u> as their valuations remain comparatively higher.

- **Value stocks** become so cheap it becomes hard to buy them due to fear. But hold *<u>a strong chance for rapid, and multi-year gains.</u>*

- **Small Stocks** are often hardest hit in bear markets. *<u>They often lead the recovery.</u>*

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Finding winning stocks

Using the site to find great strategies and stocks
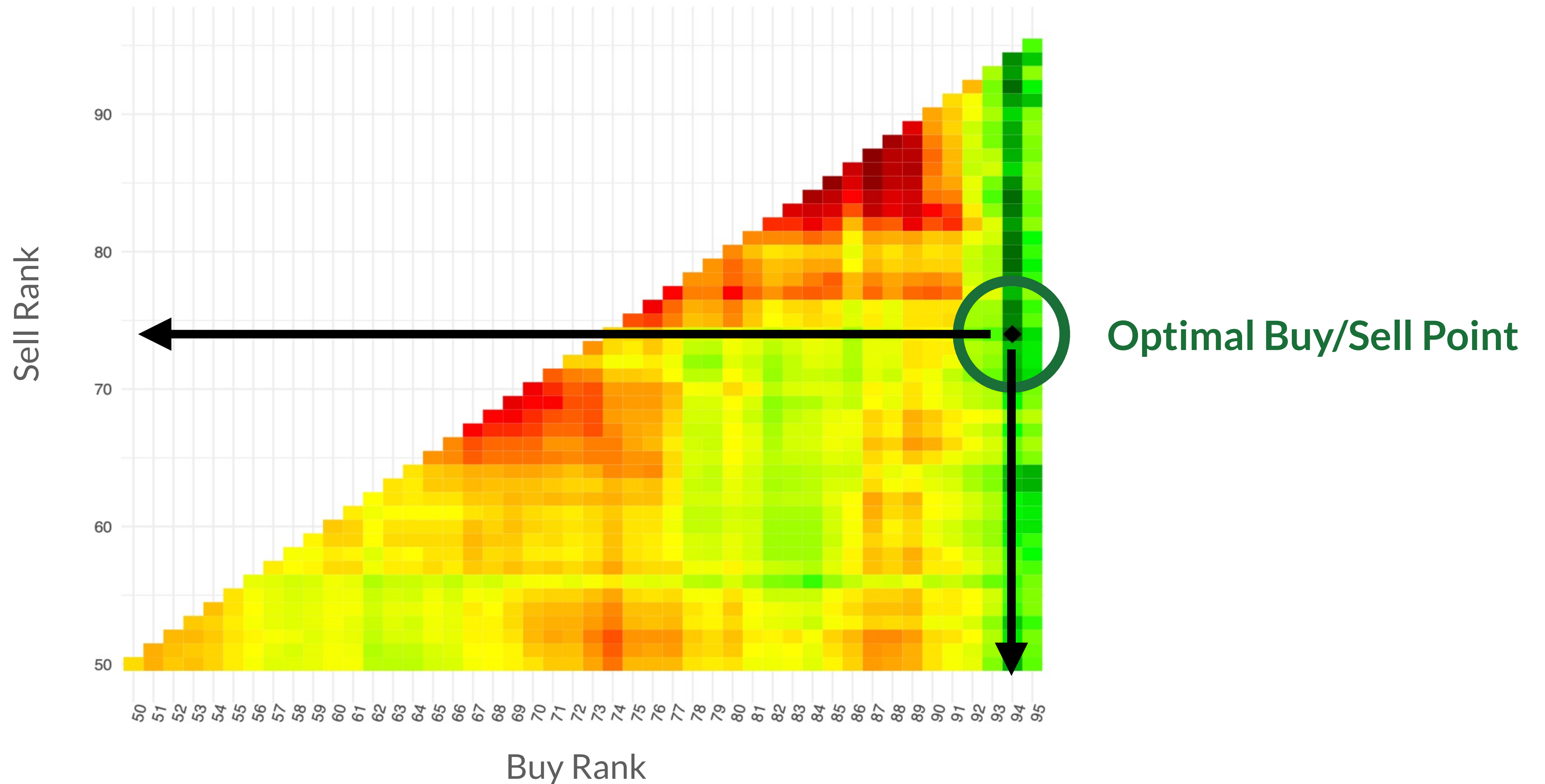
When to sell?

Simplifying the hardest question that investors face

When to sell? the 90/70 Rank Rule

The paper "Combining Factors" by Christoph Reschenhofer shows that simple buy and sell rules can maximise returns

PhD, Quantitative Research
Vienna University

Optimal Buy/Sell Point

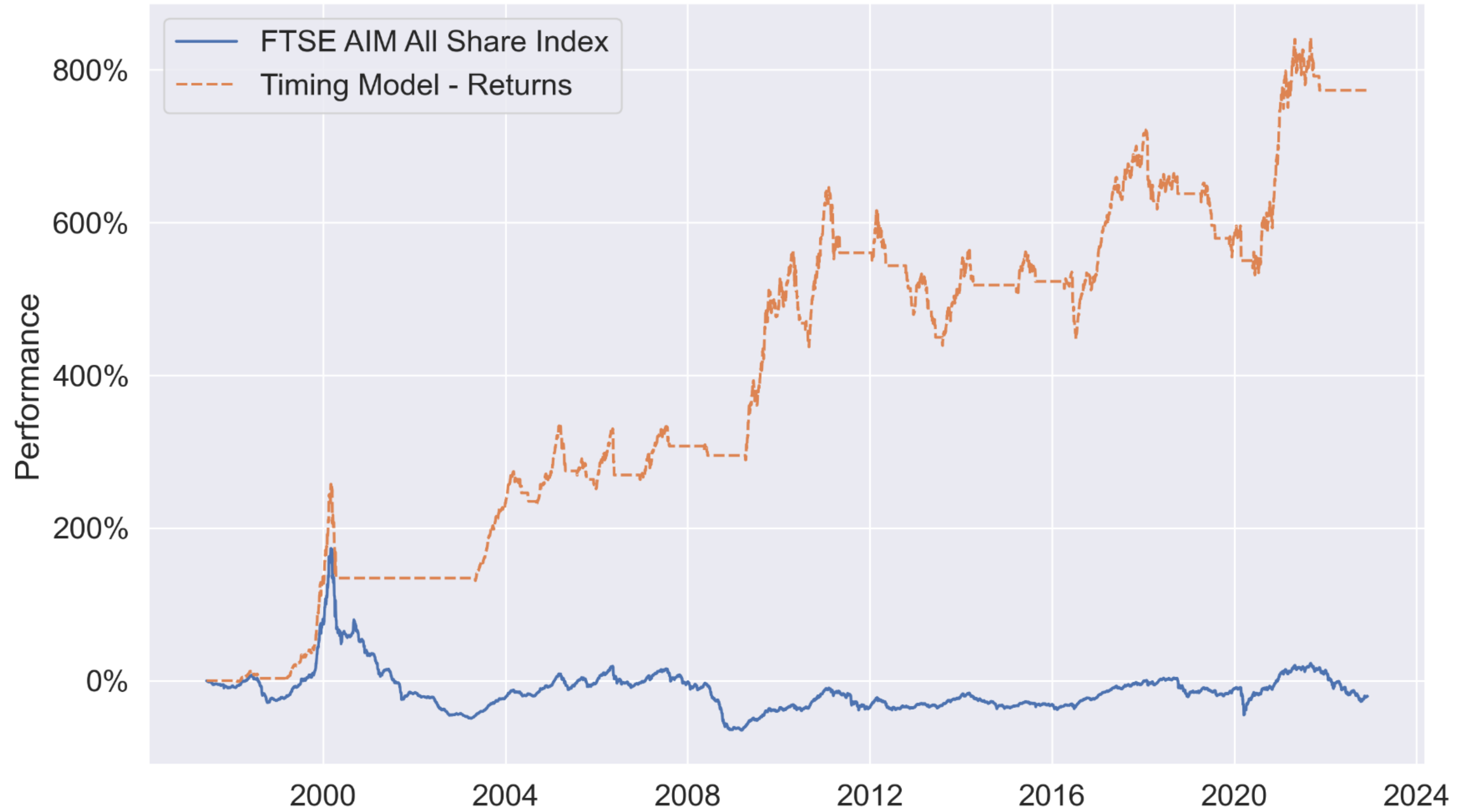# When to sell? the 90/70 Rank Rule

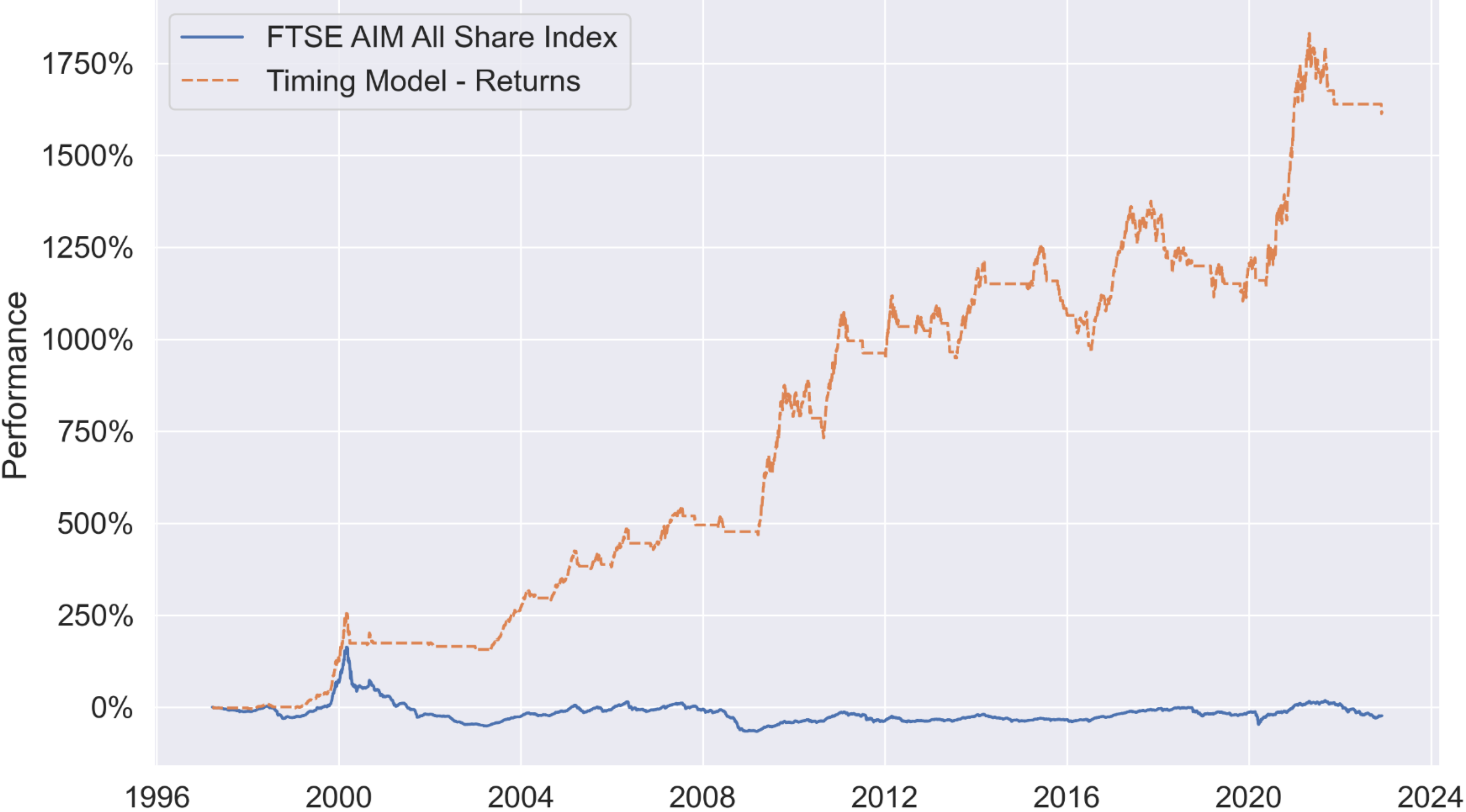*Case study using Reach Plc through the pandemic*

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Other Resources

There's far more information and resources on the website

FTSE AIM All Share Index - 200d MA Trend Model

# FTSE AIM All Share Index - 120d MA Trend Model

The Data Process

1. Our primary data sources (including Refinitiv), employ **thousands of analysts** who scan, audit & standardise financial data entry into their databases before uploading to their financial cloud.

2. Throughout the day and night we download **financial statements, analyst estimate data, price quotes & histories and other company information** to our databases.
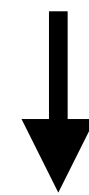
3. Our analyst & developer team organise it and clean it all up, and our servers **crunch over 60 million computations daily** to build up a **library of more than 2000 essential, accurate statistics** on every stock. From simple PE Ratios to Piotroski F-Scores.

4. We then rank and screen the market to filter the wheat from the chaff and publish the data on our **StockReports** and in our **Screening Database**.
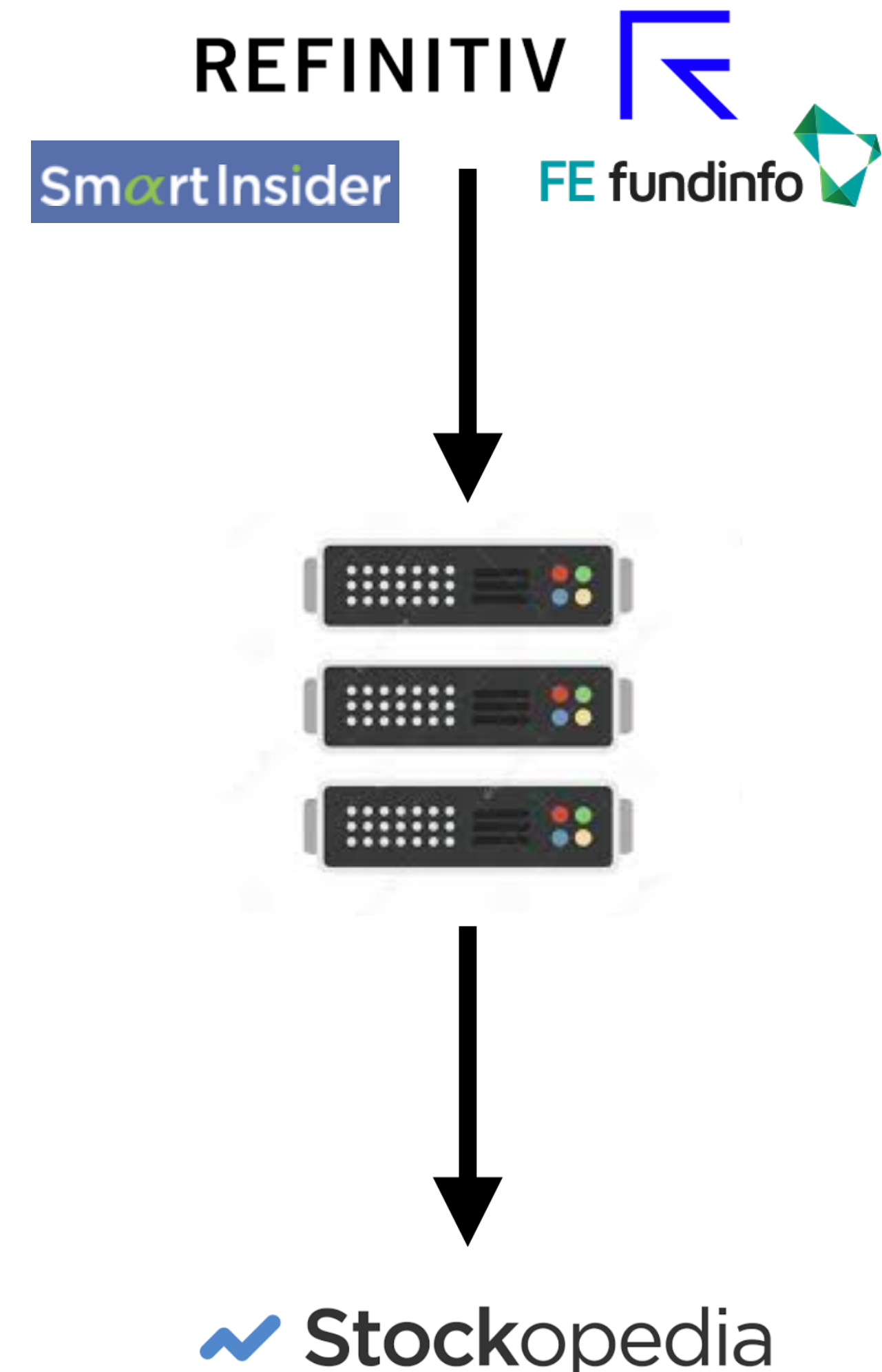
Internationally proven "factor" framework

Available for more than 35,000 stocks on 82 exchanges around the world in the UK, Europe, North America, Asia and Australasia.

MSFT – Microsoft
$265.87   ↑ 1.29   +0.49%
Conservative · Large Cap

Quality	
Value	
Momentum	
StockRank™	

HSBA – Hsbc Holdings
496.75p   ↑ 4.05   +0.82%
Balanced · Large Cap · Turnaround

Quality	44
Value	88
Momentum	▲ 94
StockRank™	91

TSLA – Tesla Inc
$778.21   ↓ -8.90   -1.13%
Adventurous · Large Cap · High Flyer

Quality	83
Value	3
Momentum	95
StockRank™	65

What Works?

Everything you need to improve your investing

www.stockopedia.com