PRUDENT TRADER
METHODS FOR
INDIVIDUAL STOCK SELECTION
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INTRODUCTION

As you read through this E-book, follow the links in order to understand and see what is available. Some links will go to the member only area, most are open for public viewing. Enjoy and do feel free to ask questions. This dissertation does not cover the use of my databases, another great tool for drilling down from Sector to Industry Group to Individual Stocks. I will be adding information on the database use in due time.

So you’re looking to add an individual stock or two to your portfolio. Let’s go over the various means that are currently available to you, on the PrudentTrader.com web site. Notice the navigation on the left? Circled is Individual Stock Selection, the picture is where you go when that link is clicked.

Next we’ll click on the first link - Overall Stock Selection which includes several market timing techniques and trading systems. So let’s click on that link and open in a new tab or window.
As you read through this dissertation you will note, that at the time I was combining ETFs and individual stock selection. It’s OK to leave this alone as the same information is included in the ETF section. Do not attempt to read the picture above as it is cropped. Go to the page itself and read through the dissertation. When you reach the bottom of the page you will come across this link: Watch List Stocks & ETF Trading Signals. Let’s click on it and open it in a new window or a new page: -

**PrudentTrader**

Trading is NOT about being right or wrong. Trading IS about managing money!

**Watch List Stocks**

- Stock Watch List includes updated technical and fundamental data.
- Watch lists are updated monthly, usually mid-month.
- On Line Watch List with Model Portfolio’s (with and without overall market timing).
- At this point in time these model portfolios are for learning purposes and not a recommendation of Prudenttrader.com. The updates are Daily with risk management, stops, and current prices. See exactly where the stocks and portfolios stand on an intra-day and closing basis. On-Line Spreadsheet.
- Market Timing signals are on the Google Spreadsheet under Portfolios with market timing tab.
- [Stock Selection Methodology](#)

**Selected Exchange Traded Funds**

- Signals based on Two Methodologies; Monthly S.P.T.I and Donchain Channel [On-Line Spreadsheet]
  
you need to be invited to view. If you haven’t been please let me know.
STOCK WATCH LIST

As of this writing, a few portions of what you see above is outdated. I will have to find that page and update it. This is what happens when one provides too much information :-). Just kidding!

I think it’s important that if you are going to select stocks basis this, or any methodology, for that matter, that you understand it completely. At that link is a four part dissertation on the methods along with two articles about the Kirkpatrick methods from AAII.

Individual Stock Selection

As in the ETF section above, there are numerous ways to research, attack, and trade Individual Stocks, although many cross over to ETFs as well. There is no right or wrong approach, only the approach that makes sense to you considering your trading style, time frame of reference, trading psyche, and of course your financial wherewithal.

The PrudentTrader proudly offers the following avenues for trading individual stocks as opposed to Exchange traded funds. Explore them today. Wish more information or a look? Send and email.

- Overall Stock Selection - Includes Market Timing and Stock Selection Systems

Stock Watch List - Based upon the work of Charles Kirkpatrick CMT. Watch list methodology and watch list spreadsheet with several market indicators and system approaches, as well as Market Timing.

Stock Selection Methodology

Watch List / Market Timing Spreadsheet

- Stock Screener - Includes screens based on the systems of Linda Rashke's Holy Grail, Stan Weinstein, Dave Landry, Toby Crabel, Rashke Turtle Soup and many more screens

- Top 100 stocks as measured by relative strength. Updated weekly.
The first link is to the stock watch list selection methodology. The watch list is constructed based upon the work of Charles Kirkpatrick and from his book: *Beat the Market: Invest by Knowing What Stocks to Buy and What Stocks to Sell*. The link is to Amazon and the books page.

If this is a method you wish to follow, invest, and trade, click the link above, buy the book, read it. I receive no renumeration for any purchases. Hey, one thing I know after 40+ years in this business is you never stop learning. As mentioned previously, clicking on the Stock Selection methodology you will be brought to a new page where I went through four dissertations on the books three methodologies / investment strategies: The Bargain list, Growth list, and Value selections. In addition links to two dissertations from AAII, on the Kirkpatrick methodologies. You must be a member of AAII to read them but if you’re serious about trading/investing you should belong.

The Graph below shows the performance of this screen as compiled by A.A.I.I since before 2000. Impressive.

All three are part of our Stock Watch List spreadsheet. They are coded B for Bargain, V for Value, and G for growth. There can be some cross over, a stock can be in two or all three camps B,V,G. at the same time. If the spreadsheet is shared with you (*you must be a member for it to be shared*), clicking on the watch list spreadsheet link will bring you to our watch list spreadsheet.
The spreadsheet contains 3 tabs. First tab contains the following information, price changes over 4 time periods; today, 1 week, 1 month and year to date. Next column is the percent today's close is of it's 52 week high. An overbought/oversold column then four indicators are looked at for potential indicator divergences.

Second tab contains trading system information based on well known traders; Linda Raschke's Holy Grail, Stan Weinstein, Dave Landry, Welles Wilders Parabolic SAR. These are conditions for entry, long or short, based upon their works. Also included is the position of the issue based upon my Donchisn Channel work, Victor Sperandeo's Trend Indicator and an offshoot of Mebane Faber's moving average:

The third tab contains market timing information on four major market indexes. The market timing is from Victor Sperandeo's SPDTI formula, A monthly moving average, and the Donchian Channel. The later two have been modified and are modified periodically basis new back test information. In addition to the timing techniques is a potential warning sign from the action in Junk bonds.
The screens above are run against my database of optionable stocks, which as of this writing totals about 4,000. If you click on the Access Screen Here! above you will be taken to the Google spreadsheet containing all the screens. The spreadsheet is divided into tab’s with each of the above in a separate tab. Along the bottom of the spreadsheet you will see tabs that define the category of the screen.

The first tab (Divergence) looks for a divergence between price and one of the following indicators:

<table>
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<tr>
<th>Slow Stochastic</th>
<th>MACD (12,26)</th>
<th>RSI (14)</th>
<th>PT-Accum</th>
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If you are unfamiliar with any of these indicators, stockcharts.com does a pretty good job of describing the above indicators with the exception of the Prudent Trader accumulation algorithm. I believe they have other accumulation modules they use and the ideas are essentially the same, the calculations are different. The look back period is only 20 days, therefore any signal should be considered short-term in nature.
The next tab is Dr. Alexander Elders triple screen. If you look just under the column headings you will see the following link:

![Triple Screen Explained](http://www.prudenttrac)

That link, I believe, will give you a good explanation of the screen with chart examples. If the work of Dr. Elder is of interest then you owe it to yourself to read one or more of his books. [Dr Elder Page at Amazon](http://www.prudenttrac). If you do not have a Kindle you might want to take a look as many Amazon books come in Kindle format for less money.

For those of you who’ve read up on Triple Screen the column headings on the screen are:

1. Sym
2. Scan Date
3. Company name
4. Sector
5. Group #
6. Close
7. Possible Elder Long/Short Based on Wkly MACD & Force
8. 26 Wk EMA Direction
9. If Bull Pwr>0 & Bear Pwr<0 = UP, Reverse= Down, Conflicting = Blank
10. Price Range over the last 21 Trading Days
11. Historical Volatility 50-Day MA
12. Get Chart link to stock charts.com
13. Get Fundamentals link to MSN money

As you can see a good deal of information if this is the screen for you!
TRADING MASTERS SCREEN

Looking at the next tab on the stock screens spreadsheet. Possibly the most popular tab for viewing:

![Stock Screens Spreadsheet](image)

The circled area under the particular screen is a link. That link will take you to a brief explanation of that screen.

![Stock Screens Table](image)

All of these screens were developed from the books the authors have written.

Three of the screens above have come from this book: Linda Raschke’s Holey Grail, the Turtle soup along with Turtle soup plus one (no longer utilized) and Toby Crabels Volatility screen. Click on the book cover for a link to Amazon if you wish to purchase the book and learn more. Remember I get no renumeration if you buy.

Possibly the single most popular screen I see on this site is the Stan Weinstein screen from his book Profiting in Bull and Bear Markets. On occasion I put out feelers to members looking to eliminate work for myself. Whenever I’ve mentioned the possibility of eliminating this screen I receive E-mails asking me not to. I’ve been able to pick off some real nice winners is the most often comment. Publishers have asked Stan to wright another book. He has refused saying I’ve said all there is to say.

As a Side note, Stan used to publish a newsletter “The Professional Tape Reader”. He stopped that publication a few years back and now only consults with institutions. His fee – $40,000 per year.

Maybe that’s why it has become such a popular screen.
The final trading master screen (book not shown) is from noted swing trader Dave Landry. Dave Landry has been actively trading the markets since the early 90s. In 1995 he founded Sentive Trading, LLC, (d/b/a www.davelandry.com)—a trading and consulting firm. He is author of Dave Landry on Swing Trading (2000), Dave Landry’s 10 Best Swing Trading Patterns & Strategies (2003), and The Layman’s Guide to Trading Stocks (2010).

Remember a screen is just that. A database is screened for stocks/ETFs that match a set of criteria. In these cases the criteria laid out by the above individuals. They are not recommendations to buy or sell any security by the PrudentTrader.
STOCK SCREENS- OTHER

Already covered stock screens have a check mark. The ETF Cycle turns are covered in the ETF section of this site. Refer to Exchange Traded Funds section E-book.

NEW MULTI YEAR HIGHS

A little background on this screen. Back in the 90’s, an internet ad caught my eye. It was something on the order of pick winning stocks in 15 minutes a week. Again on the order of the 4-hour workweek book. If memory serves me it was something like $69, certainly not overwhelming, and down right cheap if it makes me money. The gist of the small book was that once a week look for stocks making new three year highs and buy those stocks. Easy enough! I extended the three years to five. When a stock is making a five year high it is often an all time high as well. The caveat in the screen is that it must be trading for at least 5 years. The screen is run on Friday’s only. During May of 2012 I did a study on this screen to see how it would work for members. You can view that study HERE! Of course a link to the study appears on the screen itself.
BUYING & SELLING CLIMAXES

This screen comes from Don Wolanchuk (Wolanchuk Report).

Selling climaxes occur when a stock makes a new 12-month low, but then closes the week with a gain. This is a sign of accumulation and indicates that stocks are passing from weak hands to strong ones.

Buying climaxes take place when a stock makes a 12-month high, but closes the week with a loss. This is a sign of distribution and indicates that stocks are moving from strong hands to weak ones.

Note: Periodically I will survey members attempting to find screens that are not being utilized. If a screen is not being utilized there is really no sense continuing it :-)

**See More on Stock Selection by visiting Use Our Databases in the Navigation**
OPTION WRITING FOR INCOME

Let's revisit the Individual Stock Selection page from before:

A new addition to this section, February 2014.

When someone writes (or “sells”) an option, he or she must deliver to the buyer a specified number of shares if the option is exercised. The writer has an obligation to perform a duty while the buyer has the option to take action. There are two general types of option writing: covered and naked. In a covered call, the option writer already owns the underlying trading instrument and wishes to make extra money from the position. He or she can write (or sell) an option based
on the expectation that the underlying’s price will move in a particular way. The buyer pays the
writer a premium in exchange for writing the option. If the option trades at a value that benefits
the buyer, the seller is obligated to hand over the shares. If the option expires at a value that
does not benefit the buyer, the seller retains the original shares. If the option writer does not
own the underlying instrument, it is said to be a “naked” option. This is more risky than writing a
covered call since the writer is still obligated to produce the specified number of shares of the
particular contract (without already owning them). Definition courtesy of Investopedia!

I have told this story before, but one of my favorite clients was a very conservative individual.
President of an engineering firm and in his mid-50’s at the time. During our initial interview I
was able to determine that Don was more than conservative, he was risk averse. I say risk
averse with a caveat; he did have a portfolio of stocks he held for the long term, just didn’t trade
in and out. After several meetings we sat down to discuss an approach I worked out for him.

Buy dividend yielding stocks and write at the money or just out of the money call options to gain
additional income. I have put together a Google spreadsheet for members to use. Again you will
have to request access, but access will be granted as soon as I receive the request.

The above spreadsheet has the formula’s already in the cells. The first row with the instructions
DO NOT CHANGE is there as an example for one to follow. The blank rows are there for you as
a member to use. I copied down the cells from the example so the formula is there. Just change
the data to suit the example you are using. Access the Spreadsheet HERE! -> Begin your
research for more income!