

Companies So Solvent, Even Your Banker Would Buy Them

Good companies will also get more attention from institutional investors if they're in a fast growing industry. According to a study by William O'Neil, author of *How To Make Money In Stocks*, over the past 47 years, the top growth industries have included the majority of the top performing stocks.

Take a look, for example, at the growth of the telecommunications and Internet industries between 1995 and 2000-years that saw spectacular gains for companies like Cisco, JDS Uniphase, Qualcomm, Nortel, and other leaders in the field.

Since you're looking for stocks the institutional investors are clamoring for, you must also keep in mind what stocks they're allowed to buy. Most fund managers have rules in place that prevent them from making riskier investments.

Following these rules when you select stocks gives you two very profitable advantages. First, you'll only own stocks whose price can be pushed upward by institutional buying. And second, you'll avoid the trap of buying into the many unsound investments that brokers and others are often promoting.

Institutional investors favor well established, well capitalized, widely owned companies. And so should you.

Shield Your Investments From Market Crashes

By the time a stock has passed all three screens-high earnings momentum, high relative strength, and institutional appeal-you know you have a stock that is set to outperform the market in the short term with exceptionally low risk.

We call this system Momentum Investing, because it captures the exact period of time when rise in the price of a stock accelerates most rapidly.

Never Be Taken In By Hype Again

Momentum Investing helps you spot winners. But it can also tell you which stocks not to buy. It stops you from being carried away by the hype that surrounds

certain companies and industries, and makes sure you only buy the safest stocks with the greatest chance of producing the highest gains.

By checking just one number for a stock-its relative strength-you'll know right away if the stock is going nowhere. Follow this rule, and you may never buy another losing stock.

Momentum Investing also minimizes losses by telling you exactly when to sell a stock. You want to hold a stock just long enough for the institutional investors to correct the mistake they made when they overlooked its value. But once that upward pressure starts to wane, it's time to move on.

A sell signal occurs whenever a stock's earnings momentum or relative strength weakens significantly. Plus, for added protection we always set an appropriate trailing stop based on the stock's volatility.

In short, Momentum Investing makes sure you're always well protected against loss, while remaining fully exposed to the highest gains.

Let me give you some examples. Here are some additional companies that passed all three screens last year. They would have been part of the trial portfolio, if I'd given our research team more play-money to invest. As you can see, they made substantial gains, even though the overall markets fell. (I've included one of the days when you could have taken advantage of our buy signal, and when a sell signal occurred, so you can see what a typical year's trading might look like)...

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