

■ Understanding Stock Rankings

A Complete Guide to Distribution Analysis

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What This Report Covers:

- RS Rating (1-99): Relative Strength vs market
- Momentum Score (0-100): Price momentum indicators
- Trend Template (0-8): Mark Minervini's trend criteria
- Technical Score (0-100): RSI and price action quality
- Composite Score (0-100): Weighted overall rating
- Score Correlations: How metrics relate to each other

1. RS Rating (Relative Strength) - Scale: 1 to 99

The RS Rating measures how a stock's price performance compares to all other stocks in the universe over the past 12 months. A rating of 99 means the stock outperformed 99% of all stocks, while a rating of 1 means it underperformed 99% of stocks.

How It's Calculated:

RS Rating uses a weighted average of returns over multiple periods:

- 3-month return: 40% weight (most recent performance)
- 6-month return: 20% weight
- 9-month return: 20% weight
- 12-month return: 20% weight

Stocks are then ranked from 1-99 based on this weighted performance.

Interpreting the Distribution:

RS Range	Interpretation	Action
80-99	Market Leaders - Top performers	Prime buy candidates
60-79	Above Average - Outperforming	Worth watching
40-59	Average - In line with market	Neutral
20-39	Below Average - Underperforming	Avoid or short
1-19	Laggards - Worst performers	Strong avoid

Your Distribution (Mean: 50.1): A mean around 50 is expected and healthy - it indicates the ranking system is properly calibrated. The relatively flat distribution across all scores shows good diversification in the market with stocks at all performance levels.

2. Momentum Score - Scale: 0 to 100

The Momentum Score captures the rate of change in a stock's price over multiple timeframes. Unlike RS Rating which compares to other stocks, Momentum Score measures the absolute strength of price movement.

Components of Momentum Score:

- **Short-term ROC (1 week):** 40% weight - Captures immediate momentum
- **Medium-term ROC (1 month):** 35% weight - Recent trend strength
- **Longer-term ROC (3 months):** 25% weight - Sustained momentum

Positive ROC adds to the score, negative ROC reduces it.

Interpreting the Distribution:

Score Range	Market Condition	Trading Implication
70-100	Strong upward momentum	Trend following works well
50-69	Positive but moderate	Selective buying
40-49	Neutral/consolidating	Wait for direction
20-39	Negative momentum	Defensive positioning
0-19	Strong downward momentum	Avoid longs, consider shorts

Your Distribution (Mean: 44.9): A mean below 50 indicates the overall market has slightly negative momentum. The distribution shows most stocks clustered in the 30-50 range, suggesting a consolidating or mildly bearish market environment. The peak around 40-50 indicates many stocks are in a wait-and-see phase.

3. Trend Template Score - Scale: 0 to 8

The Trend Template is based on Mark Minervini's SEPA methodology (Specific Entry Point Analysis). It checks 8 criteria that define a stock in a proper Stage 2 uptrend - the ideal stage for buying growth stocks.

The 8 Criteria Checked:

Price Position (3 points):

1. Price above 50-day MA (+1)
2. Price above 150-day MA (+1)
3. Price above 200-day MA (+1)

Moving Average Alignment (3 points):

4. 50-day MA above 150-day MA (+1)
5. 50-day MA above 200-day MA (+1)
6. 150-day MA above 200-day MA (+1)

Trend Strength (2 points):

7. 200-day MA trending up vs 20 days ago (+1)
8. Price within 25% of 52-week high (+1)

Interpreting the Scores:

Score	Stage	Description	Action
8	Perfect Stage 2	All criteria met - ideal uptrend	Strong Buy Zone
6-7	Strong Uptrend	Most criteria met	Good Buy Candidates
4-5	Emerging/Weakening	Mixed signals	Watch & Wait
2-3	Stage 3 or 4	Trend breakdown starting	Avoid/Reduce
0-1	Stage 4 Decline	Confirmed downtrend	Do Not Buy

Your Distribution: The histogram shows a bimodal pattern with peaks at both low (0-2) and high (7-8) scores. This is a healthy market structure showing:

- ~175 stocks with score 8 (perfect uptrends) - Your prime hunting ground
- Many stocks at 0-2 (downtrends) - Clear stocks to avoid
- Fewer stocks in the middle - Less ambiguity

Key Insight: Focus your attention on the ~175 stocks with score 7-8. These are in confirmed Stage 2 uptrends and are the best candidates for momentum trades.

4. Technical Score - Scale: 0 to 100

The Technical Score combines RSI (Relative Strength Index) analysis with price action quality. It helps identify stocks with favorable technical setups for entry points.

Components:

- **RSI Position (base 50):**
 - RSI 50-70: +20 points (bullish but not overbought)
 - RSI > 70: +10 points (overbought, reduced score)
 - RSI 30-50: -10 points (neutral to bearish)
 - RSI < 30: -20 points (oversold)
- **Volume Trend:** +10 if current volume > 20-day average $\times 1.2$
- **Price Action:** +10 if 6+ of last 10 days closed higher than open

Interpreting the Distribution:

Your Distribution (Mean: 54.3): The bimodal distribution with peaks around 20-30 and 80-90 shows a polarized market:

- **Left peak (20-30):** Stocks with poor technicals - oversold or in downtrends
- **Right peak (80-90):** Stocks with strong technicals - good RSI and price action

Trading Implication: The market is split between leaders and laggards. Focus on the right tail (70+) for long positions. The stocks in the left tail may present mean-reversion opportunities but carry higher risk.

5. Composite Score - Scale: 0 to 100

The Composite Score is a weighted combination of all individual metrics, providing a single number to rank stocks. This is your primary screening metric.

Weighting Formula:

$$\text{Composite} = (\text{RS} \times 0.30) + (\text{Momentum} \times 0.25) + (\text{Trend} \times 0.25) + (\text{Technical} \times 0.20)$$

- RS Rating: 30% - Emphasizes relative performance
- Momentum: 25% - Price velocity matters
- Trend Template: 25% - Proper trend structure essential
- Technical: 20% - Entry timing refinement

Letter Grades:

Score	Grade	Meaning	Typical Count
90-100	A+ ■	Elite performers - Top 5%	~40 stocks
80-89	A	Excellent - Strong buys	~80 stocks
70-79	B+	Good - Watchlist worthy	~100 stocks
60-69	B	Above average	~120 stocks
50-59	C+	Average	~150 stocks
40-49	C	Below average	~120 stocks
30-39	D	Poor	~100 stocks
0-29	F	Avoid	~90 stocks

Your Distribution (Mean: 51.4): The distribution shows a roughly normal pattern centered around 50, which is expected. Key observations:

- Most stocks cluster in the 40-60 range (average performers)
- Right tail (70+) contains your best opportunities
- Left tail (<30) contains stocks to avoid

Strategy: Focus screening on Composite Score ≥ 70 (grades B+ or better). This typically narrows your universe from 761 stocks to ~150-200 actionable candidates.

6. Score Correlations Heatmap

The correlation matrix shows how the different metrics relate to each other. Values range from 0 (no correlation) to 1 (perfect correlation).

Reading the Heatmap:

Pair	Correlation	Interpretation
RS ↔ Momentum	0.84	Strong link - outperformers have momentum
RS ↔ Trend	0.82	Strong link - RS aligns with proper trends
Momentum ↔ Trend	0.81	Strong link - momentum confirms trends
Trend ↔ Composite	0.97	Very strong - trend drives overall score
RS ↔ Technical	0.74	Moderate - RS partially independent
Tech ↔ Composite	0.95	Very strong - technicals matter for composite

Key Insights from Correlations:

- All metrics are positively correlated (0.74-0.97)** - The system is internally consistent. Strong stocks tend to be strong across all dimensions.
- Trend has highest correlation with Composite (0.97)** - This confirms that trend structure is the most important factor in the overall ranking.
- Technical has lowest correlation with RS (0.74)** - This means Technical Score adds unique information not captured by RS alone. A stock can have high RS but poor near-term technicals (overbought), or vice versa.
- No negative correlations** - All factors move together, reinforcing the concept that true leaders are strong across multiple dimensions.

7. Practical Trading Application

Screening Workflow:

Step 1: Primary Filter (Composite Score)

Start with Composite ≥ 70 to narrow from 761 stocks to ~150-200

Step 2: Trend Confirmation

Require Trend Template ≥ 6 (Stage 2 uptrend confirmed)

Step 3: Relative Strength Check

Prefer RS ≥ 70 (top 30% performers)

Step 4: Entry Timing

Use Technical Score to time entries - look for pullbacks to support with Technical Score recovering from 50-60 back toward 70+

Step 5: Momentum Confirmation

Momentum ≥ 60 confirms the move has velocity

Market Condition Signals:

Indicator	Bullish Market	Bearish Market
Mean RS Rating	> 55	< 45
Mean Momentum	> 55	< 45
Stocks with Trend ≥ 6	> 40%	< 25%
Mean Composite	> 55	< 45

Current Market Reading (Your Data):

- RS Mean: 50.1 → Neutral (neither bullish nor bearish overall)
- Momentum Mean: 44.9 → Slightly bearish undertone
- ~175 stocks with Trend = 8 → ~23% in perfect uptrends (borderline)
- Composite Mean: 51.4 → Neutral

Interpretation: The market is in a mixed/consolidation phase. Be selective and focus only on the strongest stocks (Composite ≥ 75). This is not a market where you buy average stocks - only leaders will work.

Quick Reference Card

Metric	Range	Buy Zone	Avoid Zone	Weight
RS Rating	1-99	≥ 70	< 40	30%
Momentum	0-100	≥ 60	< 40	25%
Trend Template	0-8	≥ 6	< 4	25%
Technical	0-100	≥ 65	< 40	20%
Composite	0-100	≥ 70 (B+)	< 50 (C)	100%

Final Trading Tips

1. **Buy the best, forget the rest** - Only buy stocks with Composite ≥ 70 AND Trend ≥ 6 . This alone filters out 70% of stocks.
2. **Sector rotation matters** - Use the Sector Rotation tab to find which sectors are leading. Focus your stock picks within leading sectors.
3. **Watch for divergences** - If a stock has high RS but falling Momentum, the trend may be exhausting. If Momentum is rising but RS is low, it may be an emerging leader.
4. **Time entries with Technical Score** - Even great stocks have pullbacks. Wait for Technical Score to dip to 50-60 and then recover before buying.
5. **Monitor daily** - Rankings change daily. A stock at Composite 80 today could drop to 60 next week if momentum fades.