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After scanning the wreckage of the past 7 weeks, TPA believes it is time for clients to focus on the winners and shun the losers. It has been 49 calendar days since the S&P500 hit its peak on 2/19. The S&P500 has staged a historic rally and yet the benchmark is still down over 18% from the 3386 peak. As TPA discussed in yesterday's World Snapshot, there have been two distinct groups of winners and losers in the period of the decline (2/19 to 3/23) and the period of the rally (3/23 to 4/8). During the decline, those companies most at risk from the pandemic were beaten down, while companies with less exposure or even benefits from the shutdown were less damaged. The rally off of the 3/23, saw the stocks that were hit the most in the decline rally the most. TPA said yesterday that investors were "picking up the trash" in the most recent rally.

Buying stocks on the basis of a low price or selling stocks on the basis of a high price has never been a consistently successful strategy. TPA sees the reasoning that divided the winners from the losers from 2/19 to 3/23 as prevailing for many months to come. In addition, as TPA will show in the charts below, the winners' charts display strong technical characteristics, whereas the losers' charts are technically weak.

In the table below, we highlight stocks that are the outperformers in both the 2/19 to 3/23 period and the period that includes both the decline and the rally (total performance from 2/19/20 to 4/8/20). These are TPA's "winners". We also highlight stocks that were the losers in the initial decline period and those that have underperformed over the past 7 weeks. (TPA's universe for this analysis was the largest stocks in the DJ 30 and the NDX 100).

TPA's recommendation is that clients buy the Winner basket [WMT, AMGN, JNJ, NFLX, COST, AMZN, PG] and sell the Loser basket [IBM, CVX, GS, DIS, AXP, TSLA, BA]. The chart below shows an index comprised of long the Winners and short the Losers. Note that this index, unsurprisingly, broke out in mid-March and has pulled back since the 3/23 low. The zoom chart reveals that the recent decline put the Winner/Loser index back at support from its new uptrend line. TPA's target for the long/short basket is +23% or 3.0 (charts below). The stop is -6.5% or a move below the breakout line (2.29), which should be support.

The second table below the 2 charts shows the retracement levels of all the stocks from the 2020 high to the 3/23 low and to the close yesterday.

Finally, TPA provides the weekly charts for the 7 winners and 7 losers, so clients can see that this recommendation involves buying the technically strong and selling the technically weak.

**Performance tables of the top DJ 30 and NDX 100 stocks ranked by each of the 3 periods are provided at the bottom of this report.*



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