Twitter Thread by Richard Moglen ■■■■

Richard Moglen ■■■■
@RichardMoglen

What is a True Market Leader / TML (Thread)

(And how to find them)

In one sentence a TML is an institutional quality stock in a leading industry group with superior fundamentals and technicals

These are monster stocks which over the course of weeks and months increase +100% to +5,000%

TMLs are popular with traders/investors whose methodology is based on the CANSLIM system developed by William O'Neil.

He called them Model Book Stocks. Huge winners worth studying to identify common characteristics that they all share

O'Neil studied over 1000 model book stocks going back to the 1880s.

Many are shown and discussed in these must read books

How To Make Money in Stocks, O"Neil
https://t.co/S2sShZedUm

Monster Stocks, John Boik @monsterstocks1 https://t.co/Cw1O9ZazGO

https://t.co/1iAGYk6Brs

A Few Examples courtesy of @SystematiCK_

Pic N Save 1979

https://t.co/d03nEEF4Eq

> #Study & #learn from past super #stocks
>
> Example 22: Pic N Save - 1979

Sharpen your eyes & internalize
- which fundamental and technical setup fuelled the big gain
- how trade management was done
- the importance of acc./distr. volume

Credit to the great W. O\u2019Neil! pic.twitter.com/m888ZaGyMV

— SystematiCK Trader (@SystematiCK_) September 26, 2020

Netflix 2009

https://t.co/Q7hI22VoMT

#Study & #learn from past super #stocks

Example 19: $NFLX - 2009

Sharpen your eyes & internalize
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- the importance of acc./distr. volume

Credit to the great W. O\u2019Neil!#trading pic.twitter.com/b1Fbz0xITX

— SystematiCK Trader (@SystematiCK_) August 16, 2020

Home Depot 1982

https://t.co/hd5c3rm0Si

#Study & #learn from past super #stocks

Example 17: Home Depot - 1982

Sharpen your eyes & internalize
- which fundamental and technical setup fuelled the big gain
- how trade management was done
- the importance of acc./distr. volume

Credit to the great W. O\u2019Neil! pic.twitter.com/k6B0wesR14

— SystematiCK Trader (@SystematiCK_) August 2, 2020

So what are the Fundamental characteristics of a TML?

Superior:

Quarterly Sales Growth > 25% YoY

Quarterly Earnings Growth > 25% YoY
Pre+After Tax Margins >20% Recent Quarters
ROE >17%
Annual Earnings Ests for the next year > 25%

Story- A new and innovative product or service

Not every TML will have all of these criteria, but in general their record should be outstanding with regards to most of them.

The higher these values the better. Earnings and Sales growth over 100% QoQ is ideal. Annual Estimates for next year over 100% would be exceptional

TMLs are also often in the Top 20 Industry groups at the times of their runs.

The TML is the leader of an overall top group which is riding the tailwinds of changing environments.

Recent examples $SE $SHOP $AMZN Retail-Internet
$TSLA $NIO Electric Vehicles (Auto Manufacturers)

Additionally base liquidity is required for these stocks to be institutional quality.

Dollar Volume > $30 Million is essential and most should have DV much higher than that

@Upticken Likes greater than $100 Million

Accumulation by big hedge funds and mutual funds like Fidelity Contrafund are what move the markets. They won't touch a promising stock unless it has liquidity.

Now for Technical Characteristics of TMLs:

Above a Rising 30 Week Moving Average
Breaking out of a Stage 1 or Stage 2 Base
Trending above Key Moving Averages (10, 21ema, 50sma)
Volume and Price contractions within bases
Up/Down Vol> 1.2
Huge gaps up on volume after Earning Beat

And most importantly they must be showing Relative Strength, meaning they are outperforming the vast majority of stocks in the market.

This. is. vital.

RS Rating over 97 is ideal

During corrections and overall market weakness they should be near all time highs, above their longer term moving averages

They should be standing out like a sore thumb.

@duckman1717 compiled a great resource for relative strength clues

https://t.co/zy3RUEYF9B

> I tweeted my #RelativeStrength techniques out for new followers on 2/24/2020. I decided to update it a bit with new techniques that I have found studying this most recent Bear Market. I hope ya'll enjoy and can apply some of this in your careers/trading.
>
> Cheers. \U0001f986\U0001f1fa\U0001f1f8\U0001f415\U0001f37b pic.twitter.com/YqN1qCzBce
>
> — Duckman1717 (@duckman1717) August 22, 2020

During Market Uptrends they should be trending above the shorter term moving averages, forming sideways shelfs during small pullbacks and then breaking out again.

Most stay above their 50 SMAs and even 21 emas for extended periods of time.

So how to scan for them.

Use @MarketSmith, the IBD Stock Screener, Finviz, or another screener

and screen for the fundamental criteria mentioned above
combined with the stock over the 200+50 SMA

It's helpful to have multiple screens splitting up the criteria for instance one scan for the earnings and one for sales.

On Fintwit we also have great traders who share their screens + focus lists.

@PatternProfits
@TMLTrader
@dennisc230
@alphacharts365

are a few who help keep me focused on TMLs

Along with the key books mentioned previously

The Lifecycle Trade by

@EBoboch
@KGD_Investor
@EricKrull1
@Top_Dog_102

Is a great resource which studied recent IPO super growth stocks and compared different rule sets to trade them

https://t.co/Ka6g7ND4uU

And Finally here is a good list of recent TMLs.

Study their charts, where you would have entered and exited given your rules

$LVGO 2020
$TSLA 2019, 2020
$DOCU 2020
$FSLY 2020
$PTON 2020
$SHOP Any recent year
$AMD 2018
$ZM 2020