

What percentage of his stocks does David Ryan sell for 20-25% gains and how does he decide to hold longer for bigger gains?

It always comes down to your conviction in the stock. For instance, David still holds some OLLI from the IPO base that was highlighted in the webinar.

When it is clear down trend on the charts and what are the common signals?

MarketSmith uses a Follow-Through Day for the first signal and then tracks the stocks breaking out from solid bases. Investors won't know initially if market action is bullish so you have to wait to see if more stocks keep breaking out and moving higher. Click for more information about [market timing](#).

How do you manage a position when a big sudden drop triggers your stop loss, yet the price bounces back?

There will be trades where you will sell at the low of the day, unfortunately. No one can control this. The reason for placing stops is to avoid staying in stocks that keep going down, thereby having a large impact on our portfolio.

What should you do during a bear market?

In a bear market, experienced investors will usually be in cash; waiting for stocks to set up and a market signal (Follow-Through Day) to give an indication that the market might be changing to an uptrend.

Do you have any shortcuts or suggestions on managing the watch list? Any "must have data" columns?

The default columns are usually the essential data points to consider. We don't have a specific short cut for the column headers though.

What are your thoughts on bounce plays or bottom picking?

MarketSmith recommends avoiding these scenarios. They are much like "catching a falling knife." Buying stocks in market uptrends and managing risk will bring the greatest success.

How do you know when a stock is trading above the 50-day moving average?

The red line on the MarketSmith chart is the 50-day moving average.

Please tell me how to buy and sell stocks in wild trading day like today. NASDAQ jumped to 7283 in the morning, then dropped to 7103, went back to 7201 and finished at 7134.

Look at the current market trend and which stocks are breaking out. During volatile days, not initiating a new position can be the best move.

What if you only have a long market as a tradeable market? What are you going to do on a bearish one?

Remember: cash is a position. In a bear market your portfolio will remain neutral, not losing value.

What is the first thing to do when starting to trade?

Learn to manage risk and cut your losses. For more details on getting started, visit [IBD University](#).

How do you separate the strong sectors from weak ones? What are the indications of a strong sector?

Strong sectors usually will have a greater concentration of stocks near new highs.

Is MarketSmith able to screen stocks for weekly volume % increase?

MarketSmith does have the weekly volume % increase in the Volume section of our screener.

In non-trending markets, how do you make money? Do you short equities?

The non-trending markets can be very volatile. Both longs and shorts will get whipped around. It's best to try to avoid them but unfortunately investors can get caught in some of these environments.

Is there a scan for "99 EPS, 99 RS" stocks?

You can create a screen in MarketSmith looking for stocks with EPS and RS of 99. A MarketSmith product coach can help you set up this type of screen. Give them a call at 800-831-2525 or email them at reachus@marketsmith.com.

What does your daily routine look like and how do you manage your portfolio when you are away from the market?

Here are 3 steps for managing daily stock research:

1. Review your watch list and update based on any changes.
2. Review any breakout stocks and stocks near pivot. Run a screen for stocks UP on Volume.
3. Set/update stock alerts.

Managing your portfolio away from your desk is a lot easier with mobile apps. MarketSmith (and most brokers) provide iOS and Android apps that provide you mobile access. Visit MarketSmith for a [video explaining how to research stocks efficiently](#).

What current market environment are we in?

As of Wednesday, November 14, 2018 IBD had the market in an uptrend under pressure.

How close to an earnings release will you start a new position?

You want to always make sure you have a positive cushion to survive any unexpected downturn from an earnings release. If you don't have conviction the stock price will increase enough before earnings, it might be best to wait past earnings.

What is a Follow-Through Day?

A Follow-Through Day occurs during a market correction when a major index closes significantly higher than the previous day, and in greater volume. It happens Day 4 or later of an attempted rally.

How do you determine if a Follow-Through Day (FTD) is a failure?

If the market undercuts the low of the downtrend after the FTD.

What percentage of Follow-Through Days fail? How often are they false signals?

Like all signals in the stock market, nothing works every time. You just need to stay prepared and have a plan. Checkout this article on for [2 red flags that can sink a FTD](#).

What's a Distribution Day?

Distribution in the stock market refers to the increased selling of stock by large institutions. Distribution is indicated by one or more of the major market indexes closing down more than 0.2% on increased volume from the previous day.

How do you tell which day is distribution? Currently actual volume does not seem to be too high compared to average volume.

Distribution Days use actual volume not average volume. Actual volume needs to be higher than previous day.

Wondering what to do with FANG names - if they are going to be market performers? Wait for them to recover then sell or sell to free up capital now but risk selling at bottom?

We cannot comment on specific stocks due to compliance reasons. IBD keeps investors updated news on FANG stocks. Visit our [FANG News page at Investors.com](#).

Do you use options?

The webinar hosts prefer buying individual stocks in real-time.

Do you trade in volatile market conditions like now?

On occasion but it depends on each investor's tolerance. Having a plan to get out of the market is important to protecting your portfolio if the markets make a turn. The stock market is never "easy." Develop a plan, manage your trades and follow that plan!

How do you trim stocks? For example, do you ever trade profit to pay for the trade?

Taking partial profits is an option, rather than getting out of your winning trade completely.

How do you pick good buy points in stocks?

Using Pattern Recognition on MarketSmith charts is a good starting point. When a pattern is recognized, color-coded zones are added that suggest optimal times to act - when to buy, take profits and cut losses. Pre-calculated data points show the "stage" of a pattern, which offers insight into how much further a stock is likely to climb.

Are all your buys on the top 50 industries?

Not always. Using Industry Group rankings is important but there are no "perfect" stocks.

How many stocks do you set up per day on average? I'm thinking about how many is too many to manage.

Depends on each trader/investor. Usually a smaller number of ideas/stocks allows closer management. For a more thorough review, [click to this IBD article about the right number of stocks](#).

Do you rely more on technical analysis or do you base off earnings and company growth?

Using a blend of technical AND fundamental information will help you find the best stocks. The company fundamentals tell you what to buy and the technical (chart) tells you when to buy.

What are your top 3 chart setups or favorite to trade?

There are no favorite patterns; most patterns develop due to market conditions. Here's a free infographic explaining [the 3 most profitable chart patterns](#).

How do you know when to take profit?

The guideline MarketSmith uses is between 20% and 25%. [Here's more information about when to take profits](#).

Can Mark go into VCP and how that fits in the cup and handle pattern.

Check-out this [blog from Mark](#) about VCP - Volatility Contraction Pattern.

How would you have seen SHAK on your radar before it broke out?

MarketSmith's Pattern Recognition identified SHAK back in February, 2018 as a Cup-with-handle. SHAK also appeared the Growth 250 Report on the Near Pivot list. The Near Pivot report allows investors to find stocks within the Growth 250 universe that are forming a pattern in real-time and are within 5% of the pivot price.

What kind of trade orders do you use to initiate or get out of a trade? Do you use limit, stop loss, trailing?

The stop loss feature is one of the best ways to take emotion out of a sell trade. You can set the limit based on a max percentage of loss you are willing to take. Always have a plan and execute that plan.

Does the Cup-with-handle pattern work only in bull markets?

The Cup-with-handle historically has worked best when the markets are in a confirmed uptrend.

What is the best strategy to buy a stock when the breakout (beyond the buy point) happens on the earnings day?

If you miss a stock after earnings that has gapped up beyond its 5% buy point range, it's best to wait for the stock to pull back into the buy range. It's not smart to chase a stock beyond that buy point.

How do you filter stocks in the evening to find the right entries?

Using MarketSmith Growth 250 – Near Pivot is an excellent source. It highlights stocks from the Growth 250 list within 5% of its pivot point.

Do you place your buy order before in advance?

If you cannot be available in real-time using a laptop or mobile app, then placing a buy order in advance is the next best action.

How do you handle pop-up openings and false breakouts where a stock "pops-up" through the breakout point but gives it all back 15-30 minutes later?

There are so many false breakouts to make buying on or near opening risky. You're always going to have false breakout through the day. The first 45 minutes of the market can be very volatile, so it can make sense to wait through the early opening action. However, if you do buy, make sure you have an exit plan (5%-8% from your buy price).

Would you ever consider selling call options against your big profit cushion to hedge any downside?
That's is not a trading strategy used by the hosts of the webinar, but you need to trade a style that works best for you.

How do you figure out the expected earnings move in a stock?

This is not our area of expertise. You should contact your broker for guidance.

Do your stock buys correlate with the leading SPDR sector and/or the market index?

The MarketSmith approach is to identify stocks with strong fundamentals and a proper chart pattern in top Industry Groups.

If we sell on that 20-25% gain box we'd miss the 47% gain that comes like in Shake Shack.

Yes, you would miss some big moves if you always take profits at 20%. You will also roundtrip some 20% gains if you hold for bigger winners. There isn't a right answer. It really is what works best for you. In 3 out of 4 stocks, taking 20% profit is the best move. But holding past 20% can makes sense if the stock is holding up and your conviction for it is strong.

To qualify for a hold into earnings, any particular metric recommended to define substantial cushion?

In general, having a profit of 10% or more is needed to hold through the earnings report.

How do you determine position size?

Your position size depends on your risk tolerance. In general, take the total amount of your portfolio and divide by the number of stocks you feel you can comfortably manage.

Do you recommend setting automatic sell of 1/2 of position when your profit is achieved?

If you cannot watch the market closely enough throughout the day, you should use a stop limit order. We recommend you contact your broker to set them up to your specific needs.

Once the 20% target has been decided, shouldn't we trail the profits?

Selling at 20-25% from your buy point is best and known as selling into strength

How do you guys use general market conditions to help your trading?

IBD uses price and volume on the NASDAQ and the S&P 500 to determine market conditions as well as how the leading stocks are performing.

Why are you using an Arithmetic Scale and not a Logarithmic Scale on your charts and screens?

On a daily chart, the preference is to use arithmetic scale and on a weekly chart, use a logarithmic scale.

Do you buy only on days where the indices are up?

Breakouts usually occur when the indexes are trending up. However, stocks showing strength can break out in a market that is under pressure.

How to see volatility contraction index?

In MarketSmith, use ticker symbol OVIX for the CBOE S&P 500 volatility chart.

What is the blue line on the charts?

The blue line is the Relative Strength Line. A stock's Relative Strength line compares a stock's price performance versus the S&P 500 index. Many charting services plot a RS Line along with the stock's price, moving averages, etc. The line is derived by dividing the stock price by the S&P 500 Index value. An upward sloping line means that the stock's price is outperforming the S&P 500 Index.

GOOS - what is the significant difference between VCP versus possible double top?

Stocks with VCPs should move up once they break out because all of the supply has been absorbed at the current process. With a double top, there is too much supply, which will cause the stock to sell off.

Are there funds or ETFs that follow CAN SLIM Methodology?

Yes, there are several ETFs from Innovator that use IBD/CAN SLIM methodology. The tickers are FFTY, BOUT and LDRS. For more information, [visit Innovator](#).

What time frame other than daily do you use, or only daily?

The main focus is on the weekly chart and then the daily chart to look at timing.

Where do I find a tight screen?

In MarketSmith you can find it in the G250 – Pattern Recognition folder under Reports in the List Manager.

Do the webinar host use conditional orders?

Not generally as they watch the market closely throughout the trading day. If you are not able to follow market action on a daily basis, using conditional orders is an option.

How do you deal with slippage when stocks drop lower than your stop?

If a stock drops 7-8 % below a stop, MarketSmith recommends selling without hesitation.

Does risk increase slightly on the downside of the buy point as well?

When the stock falls below the pivot point, you need to pay close attention.

Mark just stated that he will give a stock a week or two to follow through and see if it's working or not. Does that time frame expand dependent on market conditions?

Definitely. You should always make decisions with the context of the overall market as your backdrop.

Where do you place your stop when the stock starts to advance?

No more than 7-8% below the pivot.

Are you entering your full position immediately? Do you have minimum liquidity or dollar volume conditions?

It depends on your style. Incremental pyramiding into a stock is a good option. Here's [a link for more information on pyramiding](#).

When do you feel comfortable "adding" on to your positions?

As a stock starts to move up. You always want to average up. This concept is discussed in the pyramiding article mentioned above.

In volatile times like these, would you set your stop-loss to less than 7%, maybe 2-3%?

In choppy markets, you want to have wider stops with smaller position size. Too tight a stop in volatility will move you out of a position too quickly.

Volume at EOD is easy to see. How do you identify above normal volume in real-time, as the stock clears the pivot, without getting too far away?

In MarketSmith, if you click on the price bar for that day, a yellow data box will appear with the volume % change. This is a projected volume number for the day.

Regarding the GOOS discussion, why did Mark buy on weak volume breakout?

While it wasn't over 50% volume on the breakout, on a relative basis, it was the highest volume in the last 8 days.

Do these strategies and chart patterns apply to day trading and swing trading (3-5 day time frame)?

Theoretically they should, but these webinar strategies focus on longer timeframes

Can you talk about position sizes when you are trying to achieve Investing Champion Returns?

Position size is based off experience. If you're new trader, start at less than 20%.

Do you look at weekly or daily volume bars?

Majority of time, weekly volume is the driver.

What criteria is there to say I should hold a stock past 20%?

If your stock is up 20% in 3 weeks, there is a hold rule. For more information on [holding stocks past 20%](#), [checkout this article on investors.com](#)

What are the green and pink moving averages you are using on the chart?

The green line is the 10-DMA and the pink line is the 21-DMA.

I am always confused about how much profit to take. As an example, if you buy into a stock and it goes up 25%, do you sell 50% and take profit?

If a stock goes on a run and you hit your 20%-25% profit goal, taking 100% is the best approach.

However, some investors will continue to hold a winning stock if they have strong conviction in its story.

For every stock sold there is a buyer. When stocks are sold off in high volume who is buying that volume if not institutional buyers?

Market makers are there to act as sellers in this case. Not all institutions use the same strategies, however. Value funds will start buying when stocks get hit too hard.

Regarding GOOS, would they buy today on breakout on earnings?

For every investor, it depends if that's one of the stocks at the top of their list and if they like the story.

Do you take 50% of capital off the table, do you take 25% off? When calculating the percentage, do I calculate the whole trade, or the capital invested?

It depends on how much you like the stock and how well you are doing on the year, as well as the personality. Every trader will give a different answer to this question.

How do you make the decision to hold or sell before earnings?

Usually it depends on how much you are up on the position going into earnings.

What Moving Averages do you keep on your charts?

The 50- and 200-day moving averages are then default on the daily charts. 10-week and 40-week moving averages are shown by default on the weekly charts. With MarketSmith, you can easily set your own custom moving average lines; the 10- and 21-day moving average lines are popular with the MarketSmith team. [Learn how to set custom lines here.](#)

Are rules for trading higher dividend yielding stocks any different?

No. You are always managing your risk in the end. The CAN SLIM philosophy generally avoids trading high yielding stocks, as it is focused on growth stocks. [You can learn more about that here.](#)

In a single phrase, what would you say is your no. 1 ingredient for success in the markets?

Always being prepared with a plan for managing your risk and execute to your plan.

What percent of my portfolio should be used to buy a stock?

It depends on where you are in the learning curve. Once you are experienced with growth stocks, we like to have around a position equal to around 20% of your portfolio when the markets are acting well. Of course, you need to be able to manage your risk very well. [Learn more about portfolio construction and concentration here.](#)

Why didn't you try to buy GOOS at the first handle 36.66 in April?

No one reason in particular. Just might not have come up on the screen at that point, or the focus was on other stocks performing well.

Can we also discuss a losing trade and lessons learned?

A few losing trades were covered in the webinar. They are part of trading, which is why it's essential to conduct a post-analysis of your losing trades to see why they failed.

Do you make sure the SPY or QQQ is up before entering long?

No. Instead, you should look for a Follow-Through Day on one of the major indexes. [For more about what a Follow-Through Day is, and how to spot it, read more here.](#)

What do you consider a “full” or “half” position?

Generally speaking, a full position is 20% of your portfolio and a half position is 10%. This is really up to you though. If you are newer to investing, go in with smaller positions.

How do you handle a market breakdown and macro-economic deterioration like the one we are in now? Do these strategies work during a down period? Or do we wait for the market to stabilize?

The way the strategy works is that during a market correction, you’re forced into cash. Cut your losses—it’s the number 1 rule.

Dave, can you explain how you handled OLLI since you first bought it?

David did another webinar with us ([on how to manage your positions, watch it here](#)) where he spoke about how he handled it for the first year. He still has a position and has been trading around that position using the bases that appear on MarketSmith.

What’s the percentage for buy and sell from your price point of 22.53?

It’s always the same: 20% profit and 7% loss. These areas are automatically highlighted on MarketSmith charts (green for profit, blue for the buy zone, red for sell).

On weekends when you screen, do you start with daily charts or weekly charts?

Usually weekly, but it doesn’t matter—just make sure that you use both for the most complete picture of a stock.

How can we scan stocks in MarketSmith so that we have to research only a few charts?

The Near Pivot list and the Breaking Out Today list will help you narrow down your stock selection to those closest to a buy zone.

Question about OLLI: after buying, did you stay in Ollie's or did you bail out while it was setting up a new base for 2016?

David discussed his trade on another webinar last year; [you can watch it for free on investors.com to learn more about how he manages his positions.](#)

How do you handle a market breakdown, or a sector breakdown, like the current one in tech or FANG stocks? Do you still trade them or wait? Do you only trade them up or down/short as well?

The strategy is to stay disciplined. Let the bases set up and use proper buy points. Don't buy stocks in downtrends. This strategy generally doesn't short.

What type of entry point did you use for OLLI, as it does not look like a standard pivot although there was huge volume? Pocket pivot?

It was breaking a downtrend in the handle, which is an advanced buy point.

Can you both go over how you screen on MarketSmith over the weekend, and what you're looking for?

Mark uses his trend templates (which you can access in MarketSmith) and a number of his personal screens. David uses the Growth 250 coupled with RS New High screen which is also in MarketSmith.

Do you trim stocks ever? Or do you just position your stops?

Yes, an integral part of the strategy is selling into strength and locking in some profits along the way, if not all of the profits. Repeat this strategy again and again to compound your gains, rather than going for a home run every time.

Do you scale out when cutting losses?

No. If a stop is reached, liquidate the position. You can always buy it back later, but the idea is to protect your portfolio from large losses by protecting the downside in each trade. [Read more about why the strategy cuts losses at 7-8%.](#)

What if you're close to the 50-day moving average? Do you still stay in the position at an 8% loss? Leaderboard recommended it with TWLO.

Cannot comment on TWLO specifically for compliance reasons. If you are down 8%, you need to protect your portfolio regardless of the stock's position on the chart. The stop is designed to protect you from a catastrophic loss in your overall portfolio. [Read more about why the strategy cuts losses at 7-8%.](#)

How do you relate the trades being discussed to the market direction? Is the market in a confirmed uptrend?

Currently the Big Picture in IBD has the market in Uptrend Under Pressure. [Read the Big Picture here.](#)

OLLI is forming a Stage 6 base right now. Would you consider buying it if it breaks out even though it is a pretty late stage base?

Compliance issues prohibit discussing OLLI in depth. But in general, there are no perfect stocks, but the preference is for earlier stage bases.

A lot of the trade setups viewed started their run with a low relative strength line. Could you speak to the importance of the relative strength line in your analysis?

RS is very important. Early in a potential rally, the RS might be poor, as growth stocks tend to go down a lot more than the market. If the rally is real, the RS will improve in a hurry over a number of weeks.

What's the number of up days on volume that you like to see?

There is no set number of days. Ideally, your stock in general is going up on above-average volume and down on light volume.

Many times, stocks fall more than your 8% rule in a morning. Do you wait at all for some recovery in that afternoon?

No, if your stop is hit, you take the signal. Sometimes you will be shaken out; it's just a fact of life for investors. You can always buy the stock back if it sets back up. The stop is designed to protect you from a big loss. Small losses can be overcome.

What is the next move after your stop loss is triggered?

If you like the stock, wait for it to potentially set up again.

Should one go for pyramiding?

We prefer to pyramid into stocks on the way up. [Read this IBD article for a broad overview](#), or read [How to Make Money in Stocks](#) for a more in-depth explanation of the strategy.

Would you still cut your losses if the company is still growing financially (respecting the CAN SLIM criteria) like Abiomed (ABMD)?

Yes, ALWAYS cut your losses. That's why it's called a rule. Remember, if you like the company, you can always buy it back when it sets up properly.

Can you use the CAN SLIM method to determine when to buy an ETF like FFTY?

Not as well, as there are no fundamentals on ETFs like EPS, Sales, etc.

Any suggestions on how to set the stop?

Talk to your broker about GTC Stop Losses.

How many stocks do you hold?

5-8 for an individual account is preferred. You don't want to overdiversify. Start with a number that is comfortable for you and work down if possible. [Read more about portfolio construction and management here.](#)

Do you trade the first 30 - 40 min of trading if a stock is breaking out, or do you just wait 30 min and then trade if stock is close to the pivot point?

When the stock hits the buy point, take the trade regardless of the time of day.

How do you calculate stop loss or minimum stop loss?

From your purchase price. If you pay \$100 for a stock, the stop is \$93 (7%).

Do you trade options or short off of these patterns?

These strategies prefer individual equities over options.

So, you would not hold this drop for 2 weeks, since the drop was on large volume?

The best time to sell a stock that you have is when it breaks the 50-day moving average line on above-average or huge volume.

Do you put stop losses every day for every stock in your portfolio?

Stop losses are an essential tool. If you're not going to be in front of the computer, or if you want to take the emotion out of your decisions, set your stops.

is it smarter to have a hard \$ stop or a trailing stop?

You should always use the one that makes most sense to you. Every trader/investor is different. They have different appetites for risk.

How do you avoid a wash sale after you lose money on the first trade on the stock but then buy it back on a profit? Or do you not care?

Treat every trade as its own entity, even if you traded the same company earlier. Profit targets and stop losses are independent of whatever came before.

Can we lose 10 times in a row and still control emotions?

If you find yourself making 10 bad trades in a row, you should take a break and analyze your process. Study your past trades and pinpoint your mistakes. Do a thorough post-analysis to see where your trades went against you.

Does IBD have any service that scans the stocks and maintains a portfolio of recommended stocks? Is that Leaderboard?

Yes, Leaderboard is a premium tool that gives you a portfolio of the top CAN SLIM stocks and trading plans for each of them written by our in-house experts. [Try it free for two weeks with this special offer link.](#)

Do you think stocks trade differently today than they did in the 90s?

The stock market has not changed, in the sense that it still operates on a foundation of supply and demand. However, the speed has improved within the last 20 years.

How do you use the indices to help inform your trading? How often do you check them in a given trading day or week?

Use the 3 major indices as a way of gauging the market's strength and weakness. You can also supplement that knowledge with IBD's more in-depth analysis in The Big Picture, [which you can read here.](#)

IBD gave a confirmed uptrend over the weekend then the market went down 600 and continues. What happened?

IBD only interprets what the Market is showing at the moment. We are still in a confirmed uptrend; however, the uptrend is under pressure.

For TWTR case, the cup (the correct one to buy from) also looks quite like a double bottom, only the second bottom doesn't undercut the first which is not a successful pattern. How did you decide if it is double bottom or a normal cup?

The differentiator between bases comes down to base length and base depth. For the specifics of a cup and a double bottom and what sets them apart, check out our helpful IBD University.

What rule did you use to sell here for TWTR?

Cut losses, and then sell into strength.

What's the minimum liquidity you would consider as a % - so for example if your purchase is \$,5000, should it have daily liquidity of at least 100k or 500k etc.?

The more liquidity, the better. Institutions make up 85% of the trading in the Market. They need liquidity to make these trades at the price they want it. Our strategy favors stocks with a minimum of 500,000 shares (50-day average volume).

Almost all of your illustrations are purely focused on chart reading. How much do fundamentals play into deciding when to take a position?

We use fundamental information to find the best stocks, then technical analysis / chart reading to decide if and when to buy them. Look for huge earnings and sales, then look to see if it's in a proper base pattern in order to initiate a position. Always wait for a stock to hit your proper buy point.

What market indicators do you like, e.g. advance decline line?

MarketSmith uses Price and Volume as its primary indicators.

Do you use buy stops and sell stops or alerts?

That's up to you. It depends on how closely you can watch the market.

What percentage for a stop loss: 4%, 6% or 8%?

We use a 5% - 8% stop loss. Keep it relative to your profit target.

Do you use S&P 500 to have your weekend's research, or do you have a special watchlist?

MarketSmith offers many different reports and screens you can use for weekend research. The one used most is the Growth 250 list. It gets updated every Friday and uses 30 different proprietary screens. The result: the best stocks within the strongest industry groups. [Learn more about how it works.](#)

If you place an 8% stop, are you saying you should get out of the stock at only 4% to 6% loss?

The maximum loss, from the pivot, is 7-8%.

How do you calculate the 97 number on the RS Rating?

The Relative Strength (RS) Rating is a proprietary rating invented by Investor's Business Daily that compares a stock's price change over the last 12 months to all other stocks in our database. [Read more about the RS Rating and the other proprietary ratings in MarketSmith here.](#)

When you want to sell into strength, are you using some measure to see how overextended it is? Like a percentage down to some moving average?

The definition of selling into strength is: sell when the stock is 20-25% above the buy point. This price range is highlighted on the charts in MarketSmith in green.

Is there anywhere on MarketSmith that you could find the "N" or New in CANSLIM?

Stocks that meet the "N" in CAN SLIM can be found in the Growth 250 IPO screen.

Does the deceleration of EPS bother you (OLLI: 41% to 19% growth) in your analysis?

It is a concern, but strong stocks can overcome one quarter of deceleration.

How effective will this system be for penny stocks?

CAN SLIM works for stocks traded on the major indexes, NYSE, NASDAQ, all S&P indexes. It does not consider penny stocks, and in fact advises against trading stocks lower in price than \$10. Quality over quantity.

You said patterns were not important in Momentum Masters, and that it was more important to focus on the resistance at where the stocks were traded. Was it different from the least resistance or what we call pivot points?

Usually patterns and the point of least resistance should line up and the entry point should be very similar.

Many companies had great earnings in 2018 but very modest growth projections for 2019. Do you consider this with a company that you are looking at?

In the CAN SLIM Investing System, the estimate for future earnings is not taken into consideration.

When you say Relative Strength, do you mean against the INDEX rather than RSI?

The term "relative strength" is an evaluation of how a stock is trading compared to the major indexes. [Read more about the RS Rating and the other proprietary ratings in MarketSmith here.](#)

What does Timeliness Rating mean?

The Timeliness Rating is a proprietary rating system based upon recent earnings changes and price performance indicating possible or potential relative price performance over the next 12 months. [Read more about it here.](#)

Where is the screen in MarketSmith for stocks in tight area?

The Tight Areas screen can be found in the List Panel under Reports in the MarketSmith G250 Pattern Recognition folder.

For stop loss, do you use end of day or if it hits, say 8% (or whatever the limit is) INTRAday you're out?

The 7-8% stop loss rule is used intraday.

How much do you use the Accumulation/Distribution Rating?

The Accumulation/Distribution Rating is used in our analysis of a stocks; it identifies the "I" in CAN SLIM, Institutional Support. [Read more about it, including the scale used, here.](#)

Do you trade when the stock crosses the proper pivot point on earnings but it creates a compressed right side because it thrusted from the bottom of the base for example like GOOS today?

A stock that breaks out of a proper base pattern because of the earnings report is a legitimate buy candidate.

Do you ever short stocks?

This system generally does not short stocks; it looks to find the best long plays in growth stocks.

Do you have a min/max MCAP for companies that you will trade? Or min/max share price?

No specific minimum market cap, but mostly stocks greater than \$15.

Can you find stocks that meet the 1- and 5-month templates within the Growth 250?

You will see a number of the same stocks on both lists, but there isn't an easy way to see stocks that meet all of the different lists' criteria.

On the MarketSmith tool bar beside daily, weekly, monthly, minutes, there is a box which is usually green in color. What is that box?

That box lets you know that you are receiving real-time quotes and data.

Does MarketSmith include UK stocks or only USA ones?

Only US names and some ADRs.

Defensive companies hold up during corrections. Are we not avoiding these companies? Don't we want growth companies?

Yes, defensive stocks tell us that market might be heading for weakness.

Where can I learn more at about "pivots"?

[Here is an explainer](#) that talks about the different pivots offered by some common bases.

Do you buy pullbacks to trend line and moving averages?

Yes, consider a pullback to the 50-day moving average line as an opportunity to add to a position, as long as it is a good growth stock in an uptrend.

What Moving Averages do you rely on?

The main ones used are the 50-day moving average and the 200-day moving average on the daily charts, but you also have the ability in MarketSmith to set custom moving average lines (e.g. the 10- and 21-day lines are popular with users).

BURL is a stage 3 base—isn't this risky?

Late-stage bases are riskier, but that doesn't mean you should always avoid them. However, if you try them, be quicker to get out of them if they aren't acting properly.

Was there a particular signal/signals that you saw from your experience that caused you to go to cash on October 4th?

There was distribution in the market and growth stocks were breaking down.

When you define your position, are you doing pyramiding or single-entry position before you decide, if later on stock is going up, to average up?

It depends on the market and how well you are doing. Sometimes you need to be more conservative and play smaller to prove that the market is turning around.

Does Market Smith work on ASX listed stocks, or just US?

Stocks on the main U.S exchanges.

I was wondering, if they have too many setups the night before when they're preparing the trade, do they try to somehow reduce the number of possible setups to a certain number that might be more manageable?

The goal is to always narrow down the list to the best growth stocks. Quality over quantity.

How do you know when to sell into strength?

A good rule of thumb is to sell around 20%. MarketSmith highlights this profit-taking region on the charts with a green shaded box.

What's your most important advice for a beginning fellow trader?

It's best to take the time to get educated. Start with William O'Neil's How to Make Money in Stocks. It's the trading bible for many on the MarketSmith team.

How does MarketSmith compare to Worden's TC2000? MarketSmith contains a full suite of professional-level stock research tools in a single, easy-to-use interface. One membership gets you features like Pattern Recognition and the Growth 250 list—neither of which you can find on any other charting service. Plus, MarketSmith's stock lists integrate CAN SLIM methodology, which no competing product offers. Is it right for you? [Try it for 4 weeks and find out!](#)

If two stocks break out on the same day, which one should you buy? What are the criteria?

That's up to the individual trader and their trading style, but in general, check the fundamentals of the two stocks and compare their strengths and weaknesses.

I'm a newbie here. What is the RS setting David uses?

It is the proprietary Relative Strength rating. [Read more about the RS Rating and the other proprietary ratings in MarketSmith here.](#)

Do MarketSmith has Indian stock market data?

No, only stocks on the main U.S. exchanges. There is a separate [MarketSmith India research platform](#).
[Read more about it here.](#)