

Buy rules

Value: *Because the stock is undervalued, we plan to ride it up*

- Ratio (P/E, P/B, P/S), etc
- Dividends
- Growth news

Event: *We expect the stock to rise on the occurrence of an expected event*

- When will the event mature?
- What is the range of impact?

Recent decline: *The stock dropped beyond what the precipitating event should warrant. The expectation is a rapid rise in response. Often there is a gradual drop back to the precipitated low, so this trade needs caution.*

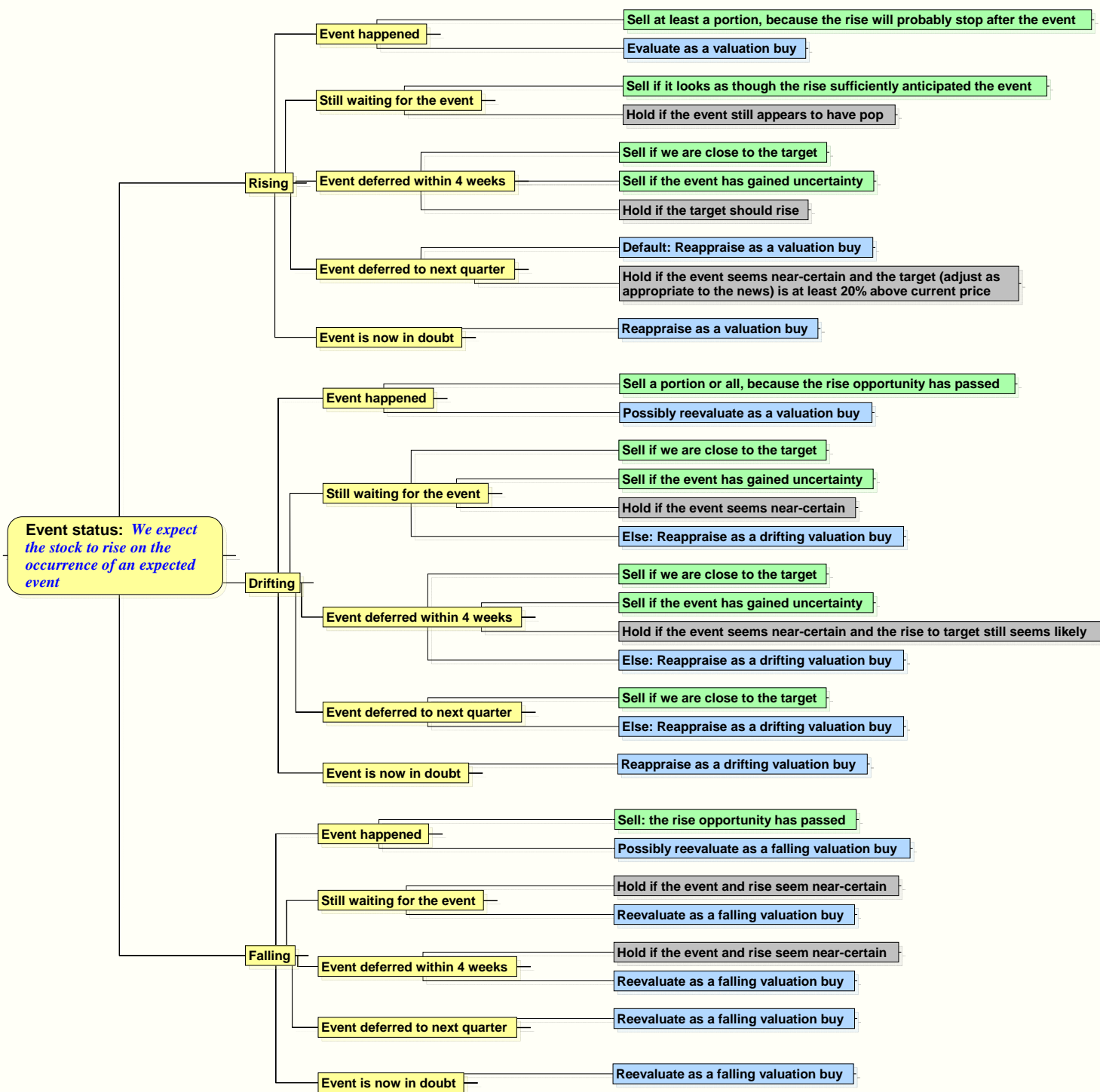
- Earnings surprise
- Industry decline
- Sector decline
- Large position selloff
- New offering: debt relief
- New offering" expansion
- New acquisition
- Political event has happened
- Legal judgment
- New technology
- Analyst downgrade

Tactical: *We expect the stock to rise in the near term, anticipating an event or reacting to transient news that probably affects sentiment more than value. This considers near-term reaction to the possibility of an event, not to the event itself.*

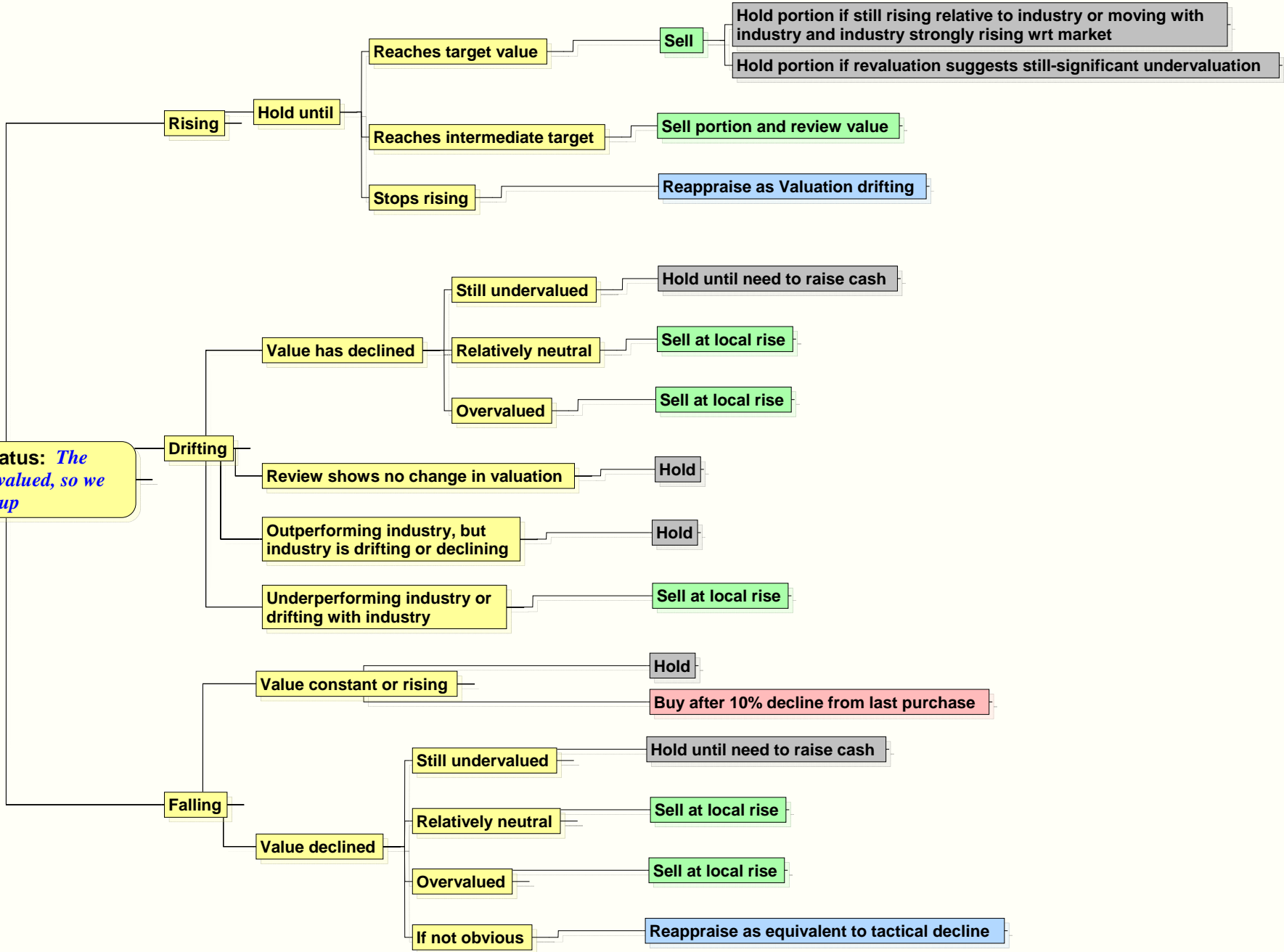
- Analyst upgrade
- Anticipated political event: should increase price
- Anticipated political event: should depress price
- Anticipated legal event: should increase price
- Anticipated legal event: should depress price

Model: *We purchased on the basis of a model's buy signal*

- VectorVest study
- Cramer Basket study
- Morningstar study
- MarketGrader study
- Nasdaq dozen study



Valuation Status: *The stock is undervalued, so we plan to ride it up*



Decline status: *The stock dropped beyond what the precipitating event should warrant. The expectation is a rapid rise in response. Often, there is a gradual drop back to the precipitated low, so this trade often needs caution.*

Rising

Default rule: Sell on a rise within 3 days, no matter how small the rise

Review this as a rising valuation, but if there is a large purchase, sell half

Drifting

Default rule: Sell on breakeven or small loss after 1-2 days

Review this as a drifting valuation, but if there is a large purchase, sell half

Falling

Buy on repeated 8-10% declines in first day

Sell on loss < \$100 (or 5%)

Hold for recovery and profit if the decline was sufficiently steep. Appraise as an event purchase, with a positive next-quarter report as the anticipated event

Tactical status: *We expect the stock to rise in the near term, anticipating an event or reacting to news that affects sentiment more than value. This considers near-term reaction to the possibility of an event, not to the event itself.*

Rising

Default rule: Sell on a rise within 3 days, no matter how small the rise. For political news that's still in the press, allow up to 3 weeks.

For political news still in the press, review this as a rising event, with a strong bias toward sell

Drifting

Default rule: Sell on breakeven or small loss after a few days. For analyst upgrades, sell within 2 days. For longer term events, allow up to 3 weeks.

Review this as a drifting valuation, but if there is a large purchase, sell half

Falling

If the precipitating event is expected to depress the price, this continues the anticipated buying opportunity

If the precipitating event was to raise the price, sell on loss < \$100 or (5%)

Hold for recovery and profit if the decline was sufficiently steep. Appraise as an event purchase, with a positive next-quarter report as the anticipated event