



HOW AND WHY I TRADE MOMENTUM STOCKS

By Roger Scott

There's one very important thing I need you to understand about momentum...

It tends to continue.

This is true in life, just as it is in investing. Think about it...

The best racehorse is the best racehorse for a reason. It has outperformed all the other horses. Not once, but consistently.

And if someone had to choose between that horse and one known for losing, well, the betting line would show the vast majority picking the horse known for winning.

The same is true about sports. We've all heard of "hot streaks."

And the same is true for stocks.

Stocks that are in an downtrend tend to revert back to a downtrend. Stocks that are in an uptrend tend to revert back to the uptrend.

Not just for a few days... or a week... but for months and months. That is the basis of momentum. And it's the main reason why my momentum scans are great short-term and long-term tools.

For those of you who need a refresher, momentum trading is a technique that investors use to find and capitalize on skyrocketing stocks while they're still picking up steam.

The goal is to buy strong stocks that are on the rise and then sell them once they seem to have peaked. And momentum helps us determine which stocks already have their foot on the gas.

This is also why my momentum scans outperform just about every indicator I come across.

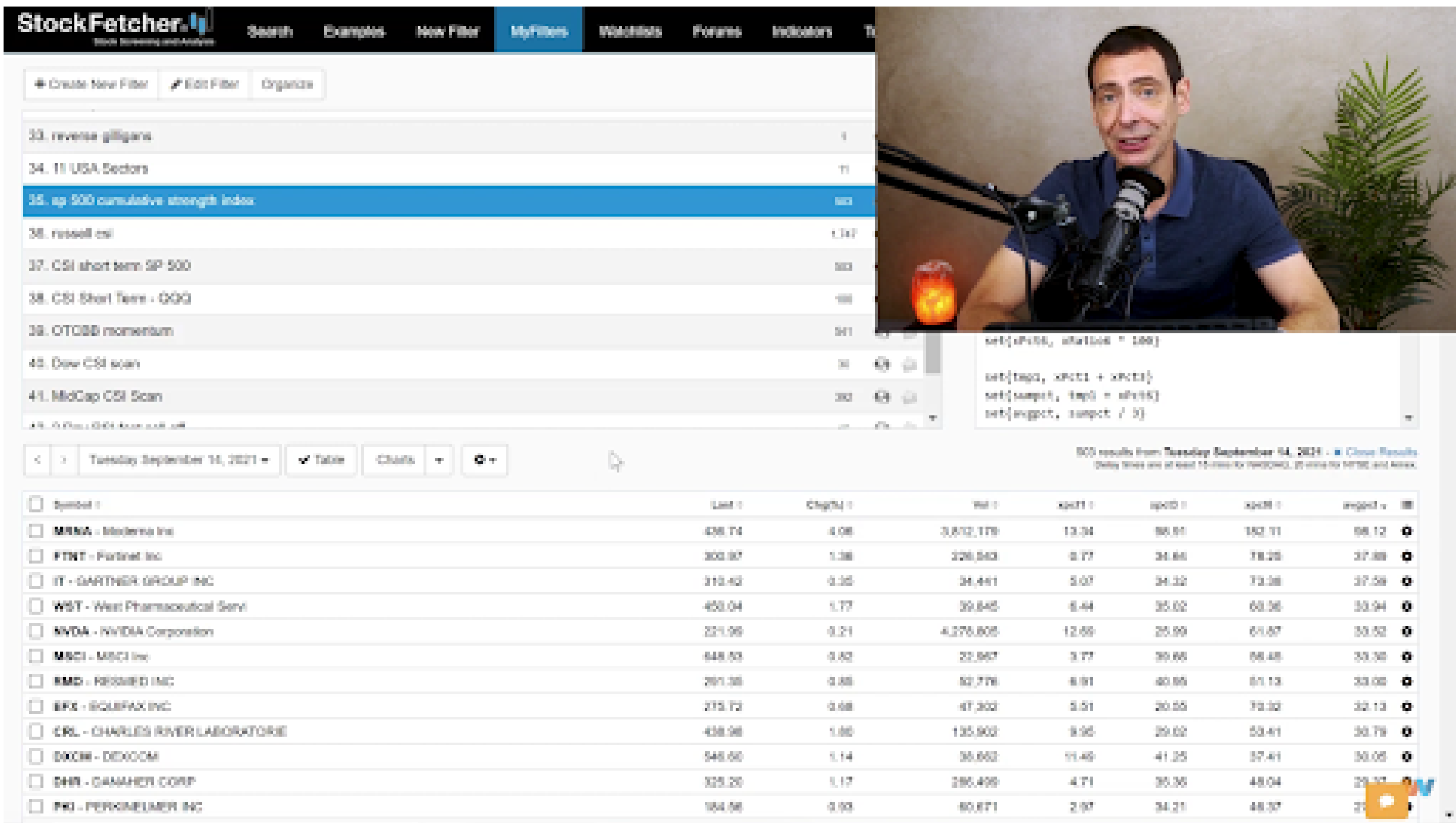
Think of this from a trading perspective: If a stock is outperforming the rest of the market, chances are it's going to continue outperforming. If you can continuously pick stocks that are the strongest in the market, then you can consistently find stocks in a momentum window. And if you can consistently rotate into stocks that are in a momentum window, then you will consistently outperform the market. With my momentum scans, you will always be on the side of strength.

In terms of defensiveness, these high momentum stocks also tend to decline much less than weaker stocks.

My 2 Momentum Scans, Explained

There are two scans that I use to find the highest momentum stocks in the market. While they're both looking at momentum, they're different in some important ways that I'll explain here.

The first scan I use is my Cumulative Strength Index (CSI) scan, which is based on the stock's performance over six months, three months, and one month, all averaged together. It's very simple – but very powerful. You can see what my scan looks like in the next image.



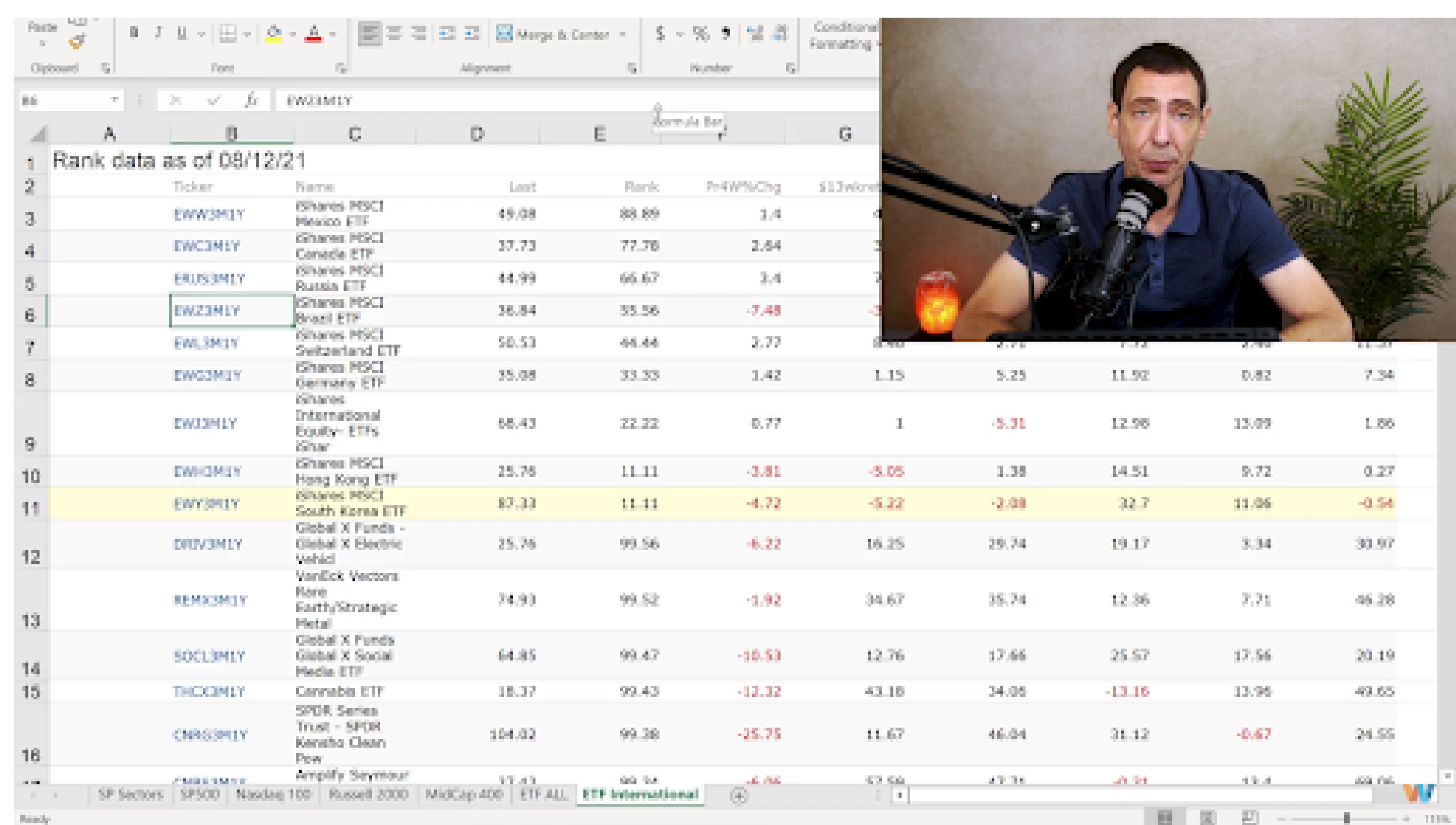
If you go back and compare the top stocks on this scan to the same scan a month ago – or even two or three months ago – you’ll see many of the same stocks still topping the list. This is the power of momentum.

We can also flip this over and look at the weakest stocks. We’re still looking at momentum, so the principles remain the same. The stocks that are currently the weakest will likely still be very weak in the next few months. (I often use this group as a “sell” list, but I’ll explain that in more detail at the end.)

My second momentum scan is a proprietary formula of mine, called the WealthPress scan. You can find the updated results of this every day in the [VIP member area](#).

This scan doesn’t just measure raw momentum... It measures how fast momentum is accelerating. And that’s a very important momentum principle that very few traders utilize in their trading.

To do that, the scan takes into account how high the stock is above its 200-day moving average (MA), as well as the stock’s raw 13-week return, as well as it’s 13-week return from 13 weeks ago... and 26 weeks ago... and 39 weeks ago. The scan takes those numbers and uses them to calculate a rank that measures which stocks have the fastest accelerating momentum.



The screenshot displays a spreadsheet titled "Rank data as of 08/12/21" with columns for Ticker, Name, Last, Rank, PctW%Chg, and \$13wRet. The data is sorted by rank, with the top 18 results shown. The 11th result, EWI3M1Y, is highlighted in yellow. A video inset in the top right corner shows a man speaking into a microphone.

	A	B	C	D	E	F	G
1	Rank data as of 08/12/21						
2	Ticker	Name	Last	Rank	PctW%Chg	\$13wRet	
3	EWV3M1Y	iShares MSCI Mexico EFT	49.08	88.89	1.4		
4	EWG3M1Y	iShares MSCI Canada EFT	37.73	77.78	2.84		
5	ERUS3M1Y	iShares MSCI Russia EFT	44.99	66.67	3.4		
6	EWZ3M1Y	iShares MSCI Brazil EFT	38.84	55.56	-7.48		
7	EWL3M1Y	iShares MSCI Switzerland EFT	58.53	44.44	2.77		
8	EWG3M1Y	iShares MSCI Germany EFT	35.08	33.33	1.42	1.15	5.25
9	EWI3M1Y	iShares International Equity- EFTs	68.43	22.22	0.77	1	-5.31
10	EWI3M1Y	iShares MSCI Hong Kong EFT	25.78	11.11	-3.81	-5.05	1.38
11	EWY3M1Y	iShares MSCI South Korea EFT	87.33	11.11	-4.72	-5.22	-2.08
12	DRIV3M1Y	Global X Funds - Global X Electric Vehicle	25.76	99.56	-6.22	16.25	29.74
13	REM3M1Y	VanEck Vectors Rare Earth/Strategic Metal	74.93	99.52	-1.92	34.67	35.74
14	SOCL3M1Y	Global X Funds Global X Social Media EFT	64.85	99.47	-10.53	12.76	17.66
15	THC3M1Y	Cannabis EFT	18.37	99.43	-12.32	43.18	34.06
16	CHRS3M1Y	SPDR Series Trust - SPDR Kensho Clean Pow	104.02	99.38	-25.75	11.67	46.04
17		Amplify Seymour	17.43	99.34	-4.76	57.58	47.71
18							

What makes this scan special is that it doesn't give you absolute returns... It also shows you how well the stock performed in the past and compares its performance to the past and to other stocks over the same periods.

And here's a little secret from me to you: High-momentum stocks that are seeing accelerating momentum are like supercharged picks. One of the best times to get into a stock is when its momentum is accelerating, before the peak. That's the sweet spot.

In other words, you're not just comparing the stock to other stocks... you're also comparing the stock to itself. Basically, this scan tells how much a stock is outperforming itself based on its own historic performance.

Just like with my CSI scan, you can also sort my WealthPress scan by the strongest stocks showing the most acceleration or the weakest stocks performing at a crawling pace.

How I Use These Scans to Pick Winners

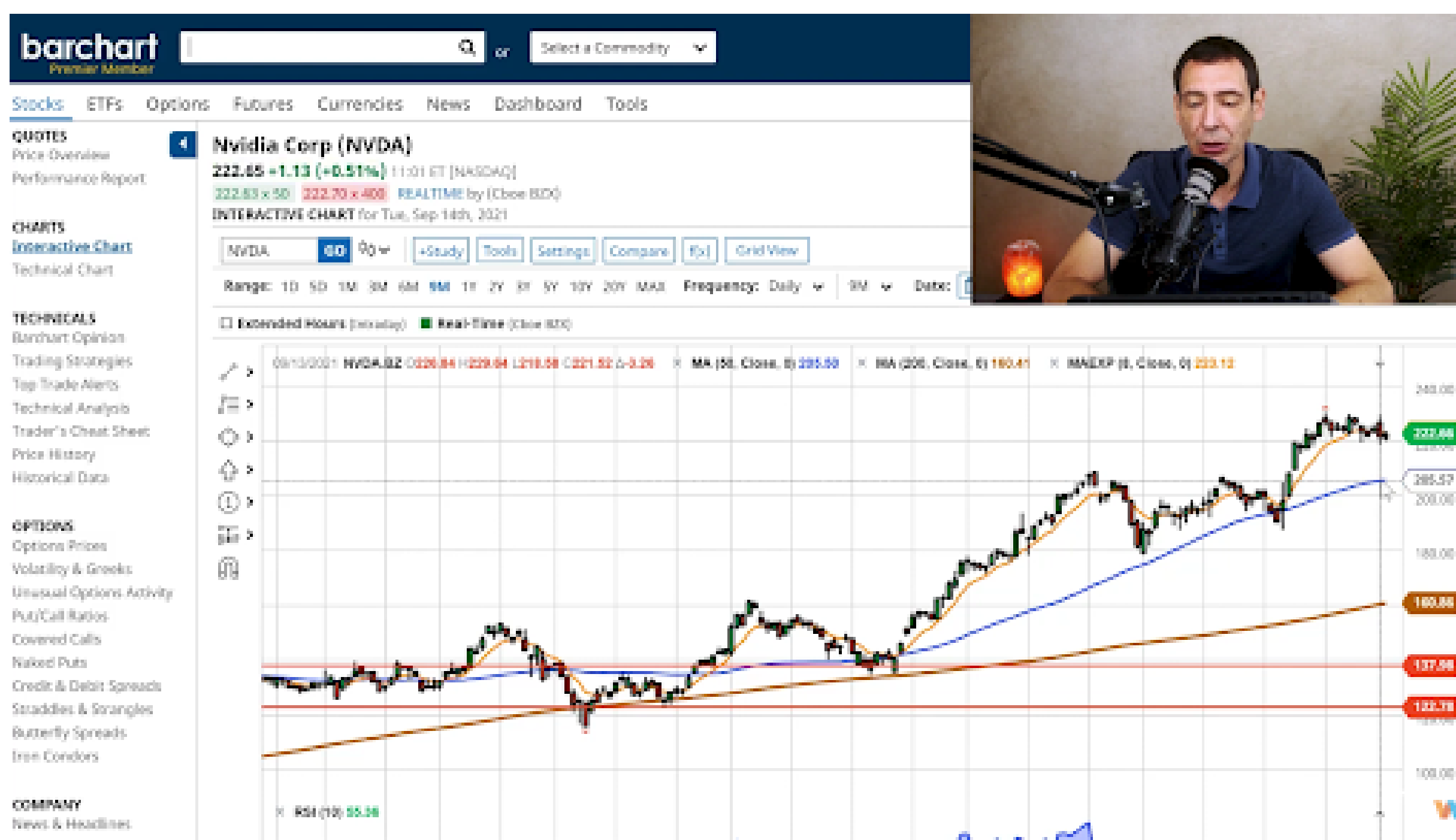
There are many different ways to use momentum in your trading.

First, you can use momentum as a raw indicator, which is what my CSI scan shows, to buy stocks that are outperforming and should continue to outperform. (Conversely, you could short or simply avoid stocks with low momentum that are likely to continue underperforming.)

You could also use an indicator like my WealthPress scan to see how fast momentum is growing compared to the past in order to jump into stocks with a lot of gas.

Finally, you can use these scans to gauge momentum levels — and whether these stocks are likely to continue their uptrend or downtrend — and then trade pullbacks visually when stocks move back to the 50-day moving average.

First, let's look at a company that had nice, high momentum. Back when I was putting this report together, **NVIDIA Corp. (Nasdaq: NVDA)** was ranked highly on both my WealthPress and CSI scans. Double whammy! A stock ranked highly on both scans would be a great candidate for a long trade.

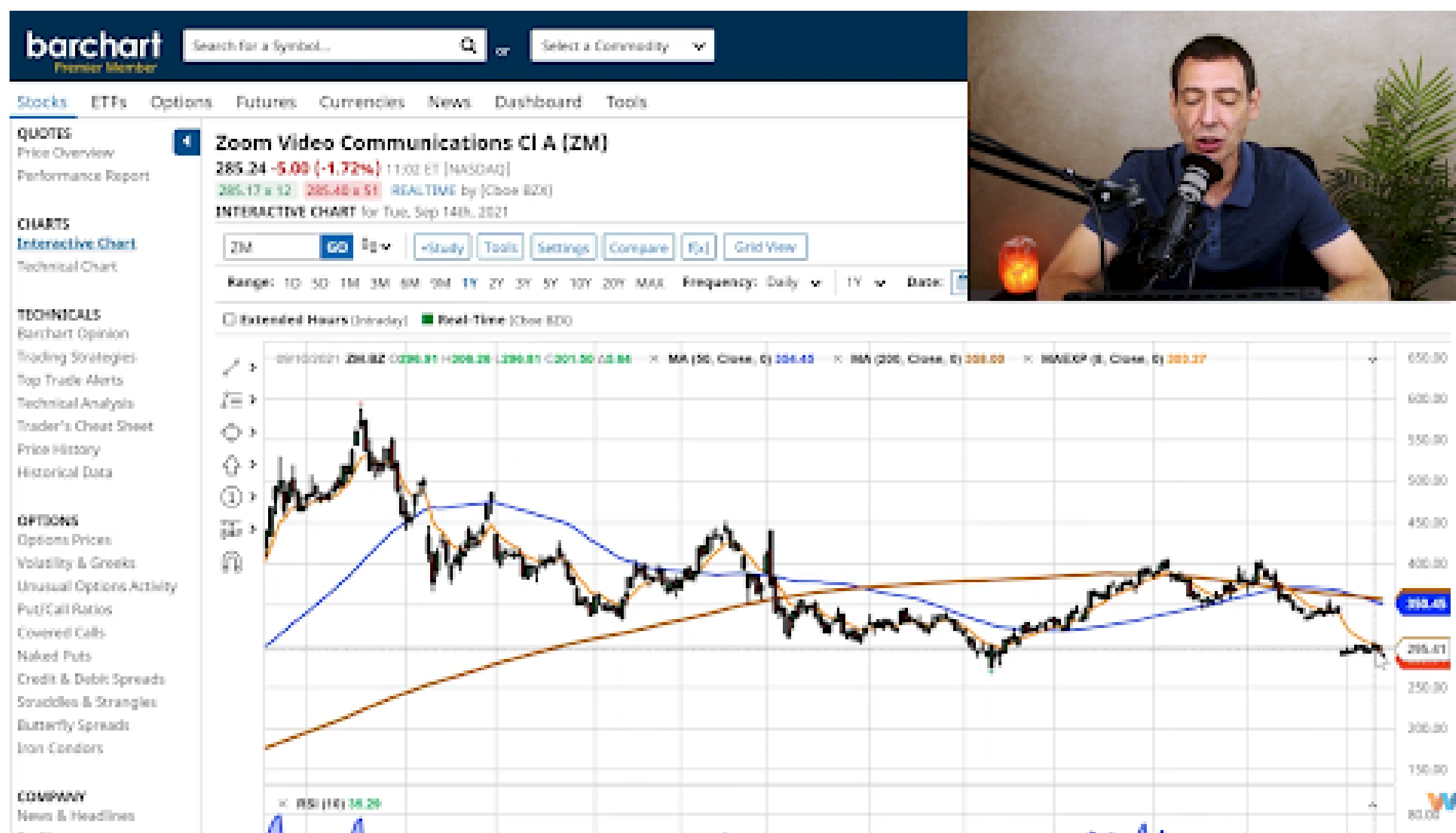


Because this stock was ranked so highly on both of my momentum scans, there was a high likelihood that it would continue on its uptrend.

Now, for this strategy, we're looking for pullbacks based on visual support and resistance. Looking at the chart above, there is nice support around \$205, which was also the 50-day moving average (MA) at the time. In this scenario, I would wait for the stock to pull back to that 50-day MA and make that my entry point.

Then, we would benefit as the stock climbs back up from this support level and continues on its uptrend. I would suggest exiting the stock when it starts to exceed the previous high. On this chart, that price level would be around \$226.

Okay, now let's look at this same idea with a weak stock. When we're looking at stocks with low momentum, we usually want to use them for short positions. At the time of this writing, **Zoom Video Communications Inc. (Nasdaq: ZM)** was one of the weakest stocks in the Nasdaq 100.



Based on its weak momentum, we knew that this stock was not performing well and would likely continue its downtrend in the following months.

Just like we did with the long position, we want to use visual support and resistance lines to determine our entry point. Judging from its chart, we can see resistance around the \$340 level. This stock had already fallen quite a bit at the time, so for my ideal short position entry, I would wait for a gap up to the \$340 level. From there, we would just need to wait for it to pull back again, and then ride it back down for an exit around \$284.

Want to download my scans so you can find brand new profit opportunities on your own?

Well, if you're still reading this, then you are one of the very few being invited to join an elite group of traders...

More than 150 people strong...

Who meet every single day alongside my assistant Troy and I, Monday through Friday... for an entire hour...

LIVE!

The VIP Champion Trade Room is where we analyze the markets together, build relationships, and more importantly...

Place trades with the goal to win BIG!

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This isn't just some slapped-together powerpoint each day or 60-minute "fluff" session...

This is a full-blown PREMIUM MEMBERSHIP with an overflowing TREASURE CHEST of my strategies, trades no one else in the world receives, private training, Q&A's, and exclusive tools designed to help put your trading success into overdrive.

This is your chance to look inside my brain... learn exactly how I approach the market and make decisions... and talk to me personally every single day!

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See you there,

Roger Scott