

# **How to Find the Next Super Stocks**

**With Amy Smith**

**Market Commentator**

**Investor's Business Daily**

# Introduction

## IBD Investing Show

[Investors.com/InvestingShow](http://Investors.com/InvestingShow)

*New Episodes Every Saturday*



*Co-Hosts, Matthew Galgani & Amy Smith*

FOREWORD BY **WILLIAM J. O'NEIL**,  
FOUNDER OF *INVESTOR'S BUSINESS DAILY*

# How to Make Money in Stocks Success Stories

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**AMY SMITH**

Co-host of *How to Make Money in Stocks* Radio Show

INVESTOR'S  
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# **Disclaimer**

**Stocks discussed in today's presentation are for educational purposes only and are not recommendations.**

**Please do your own research before buying any stock.**

# **Rule number one for successful investing**

**Be sure to keep all losses small**

**Too hard to come back once your portfolio has taken a big hit**

# **What is a Super Stock?**

**These are stocks that may make big moves starting in new bull markets**

**Microsoft, McDonald's, Google,  
examples of big winners from the  
past**

# Super Stocks From the Past

Stock	Percent Gain	Year
<u>Ambarella Inc</u>	278%	2015
<u>Celgene Corp</u>	58%	2015
Palo Alto Networks	176%	2015
Apple Inc	594%	2012
<u>Hain Celestial Group</u>	91%	2012
<u>Nationstar Mtg</u>	147%	2012
Chipotle Mexican Grill	376%	2010
Ross Stores	244%	2009
Shanda Interactive Entmt	93%	2009
First Solar	826%	2007
Titanium Metals	1,458%	2005
Hansen Natural	5,172%	2004
Taser	2,700%	2003
Qualcomm	2,567%	1998
Yahoo	7,443%	1997
Cisco	75,000%	1990
Compaq	378%	1988
Wal-Mart	7,250%	1979
Syntex	400%	1963

**It isn't necessary to capture the exact bottom or the exact top**

**Investors can do very well just capturing part of a stock's major move upward**



**Keep in mind that former big leaders can correct as much as 72% on average after a stock has had a major run.**

**It's important to have sell rules both to lock in gains and protect against downside losses.**

# King Kong Rules Investing Jungle



**King Kong represents the  
professional investor**

**These are the banks, mutual funds,  
hedge funds, pension funds**

**Can take an institutional investor  
several months to fill a position**

**Why do we need to follow what the big investors are doing?**

**Because almost 90% of the big moves in the market are due to the institutional investors**

**What advantage does the individual investor have over the institutional investor?**

**We are smaller and can move in and out of the market easier.**

**Compared to King Kong we are...**

# Pygmy Marmoset



**Let's take a look at some Super  
Stocks from the past**

**Along the way, ask yourself why  
these products or services were in  
big demand?**

**These are not stocks that should be  
bought currently**

**But we can learn a lot from big  
winners in the past**

**It's good to study them**



# Research in Motion (BBRY)

1,081% gain from Dec. 2003 – Jan. 2008



**When the Blackberry first came out, it was revolutionary**

**For the first time, people could take the office with them and answer emails on the go**

**At that time, it was a game changer**

# Deckers Outdoor (DECK)

225% gain from Oct. 2006 – Nov. 2008



**Shoe fads appear from time to time  
in the market.**

**One fad was the Ugg's boots which  
were both comfortable and  
fashionable.**

**In more recent years Nike has done well with their Basketball shoes.**



**And Skechers performed well with their comfortable Go Walk shoes**



# Skechers also began to compete in the running shoe category



# Hansen's Natural (MNST)

4,525% gain from Jan. 2004 – Nov. 2006





**Monster beverage became the  
“new” type of caffeine drink.**

**It became popular at colleges as well  
with workers who needed a boost in  
energy.**

# Potash Corp (POT)

1,524% gain from June 2004 – Dec. 2008



## PotashCorp

Helping Nature Provide



**There was nothing new about fertilizers at the time that Potash and other fertilizers made tremendous moves in the market.**

**So why did these stocks come under such demand?**

# Tremendous Growth Out of China



# **When and why do Super Stocks move higher?**

**Early in a bull market cycle**

**Double or triple digit earnings**

**Product or service in big demand**

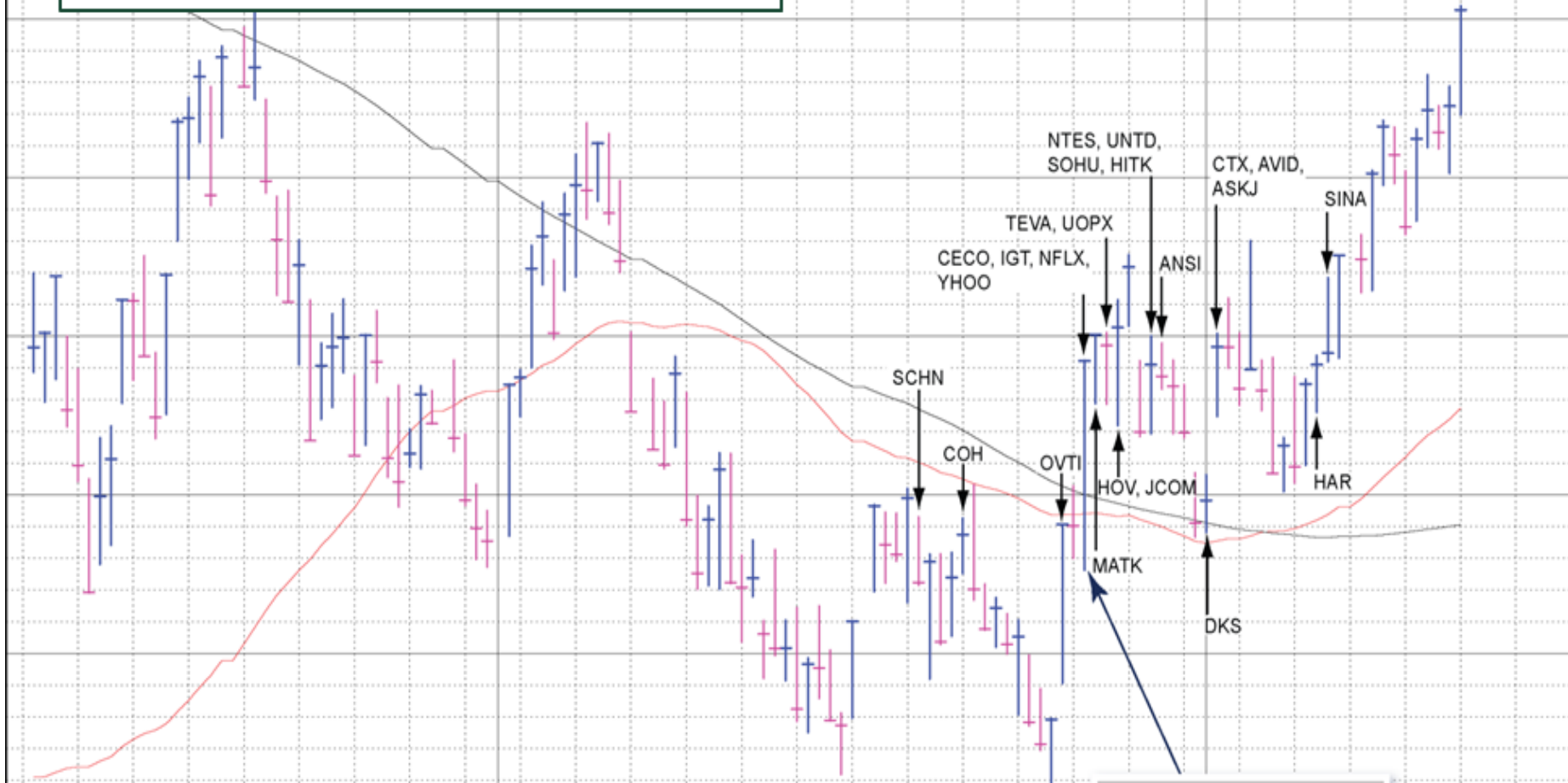
**Most stocks will move with the  
general market trend.**

**It's important to stay in step with  
what the overall indexes and leading  
stocks are doing.**

# In New Bull Markets Stocks Break Out & Move

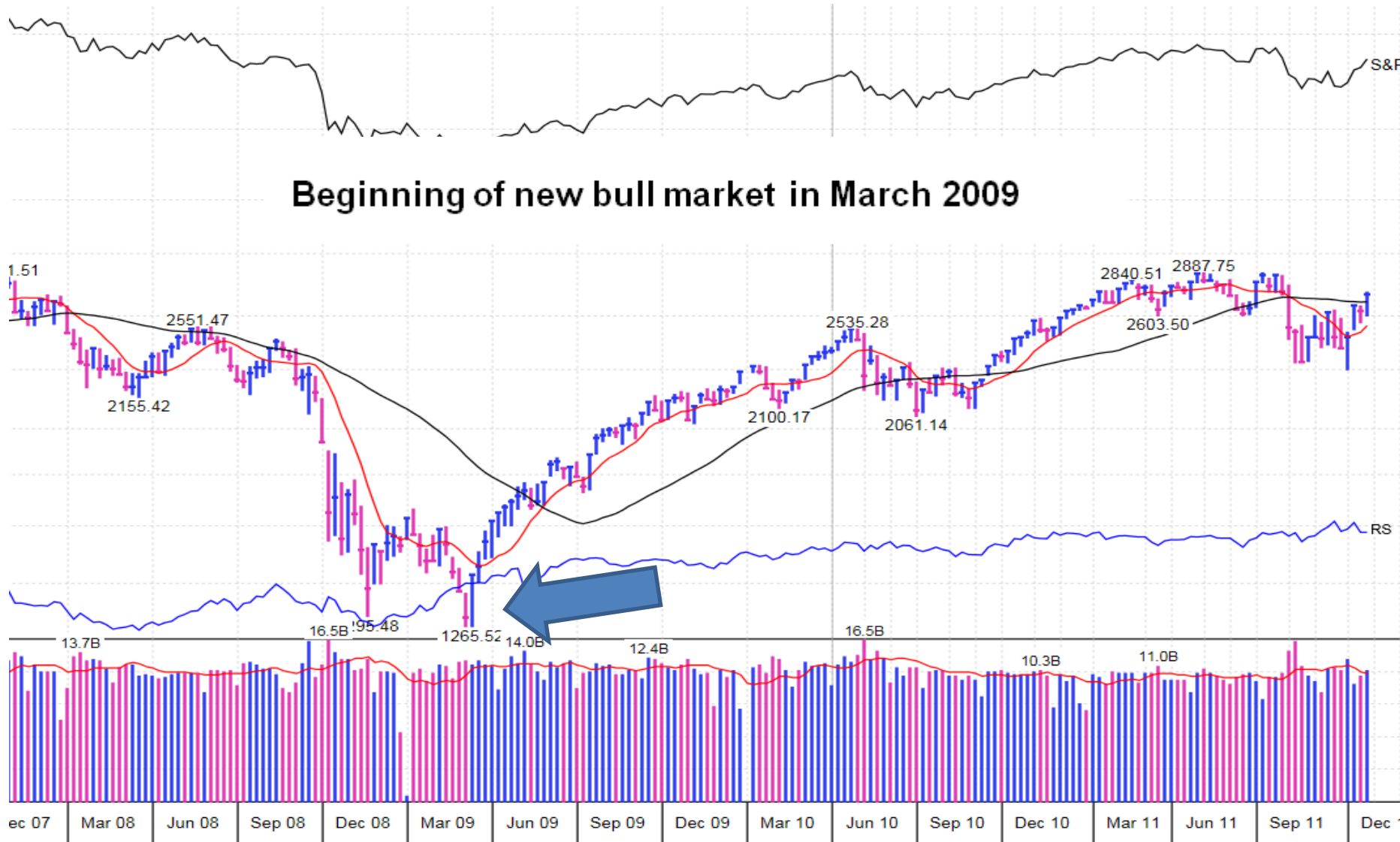
Nasdaq Composite – Daily Chart

March 2003 Leaders Breakout



# Nasdaq Bottom March 2009

Beginning of new bull market in March 2009



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**What stocks were breaking out at the beginning of the new 2009 bull market?**

**Big leaders are sometimes the first ones out of the gate**

**Keep watch list up to date**

# Priceline.com Inc (PCLN)

Provides airline ticket, hotel room, car rental, vacation package and cruise services through Priceline.com

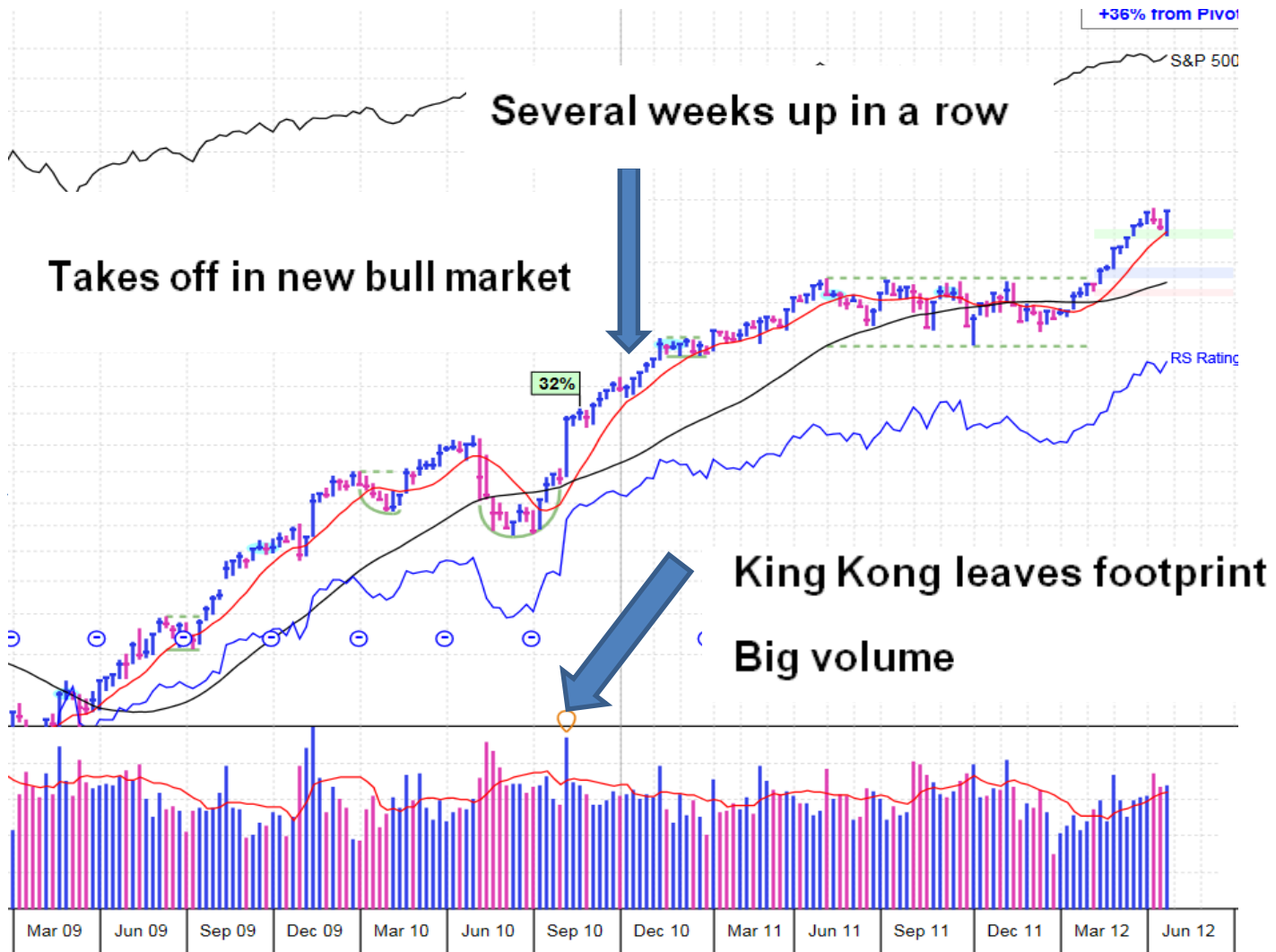


Clever ad campaign with William Shatner

Captain Kirk from Star Trek

A screenshot of the Priceline.com website's flight search interface. The browser window title is "Search Priceline .com". The page features the Priceline logo and a "Flights" section with a "UP TO 40% OFF" offer. Below this, there are input fields for "Origin: City or Airport", "Destination: City or Airport", "Departure: mm/dd/yy", and "Return: mm/dd/yy". A "Tickets:" dropdown menu is set to "1 ticket". A prominent orange "Search" button with a right-pointing arrow is at the bottom right of the search area.

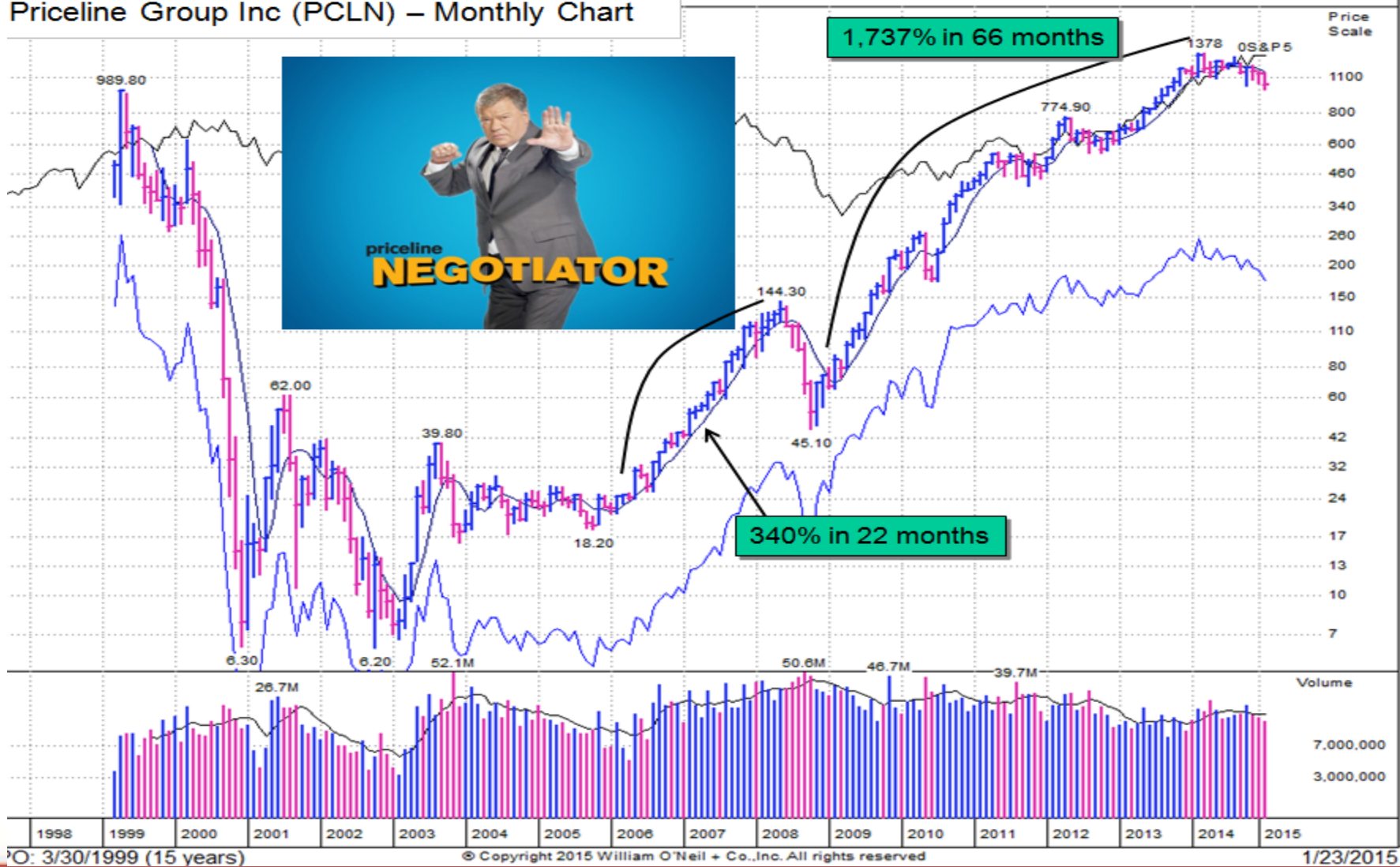
# Priceline March 2009 – June 2012



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# Priceline Monthly Chart

Priceline Group Inc (PCLN) – Monthly Chart



O: 3/30/1999 (15 years)

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1/23/2015

**Growth stocks can move up or down quickly.**

**You always want to watch for weakness and have your sell rules in place in case a stock begins to pull back.**

# Green Mountain Coffee Roasters (GMCR)

Distributes coffees and teas, single cup brewers and single cup portion packs to supermarkets, food stores and others

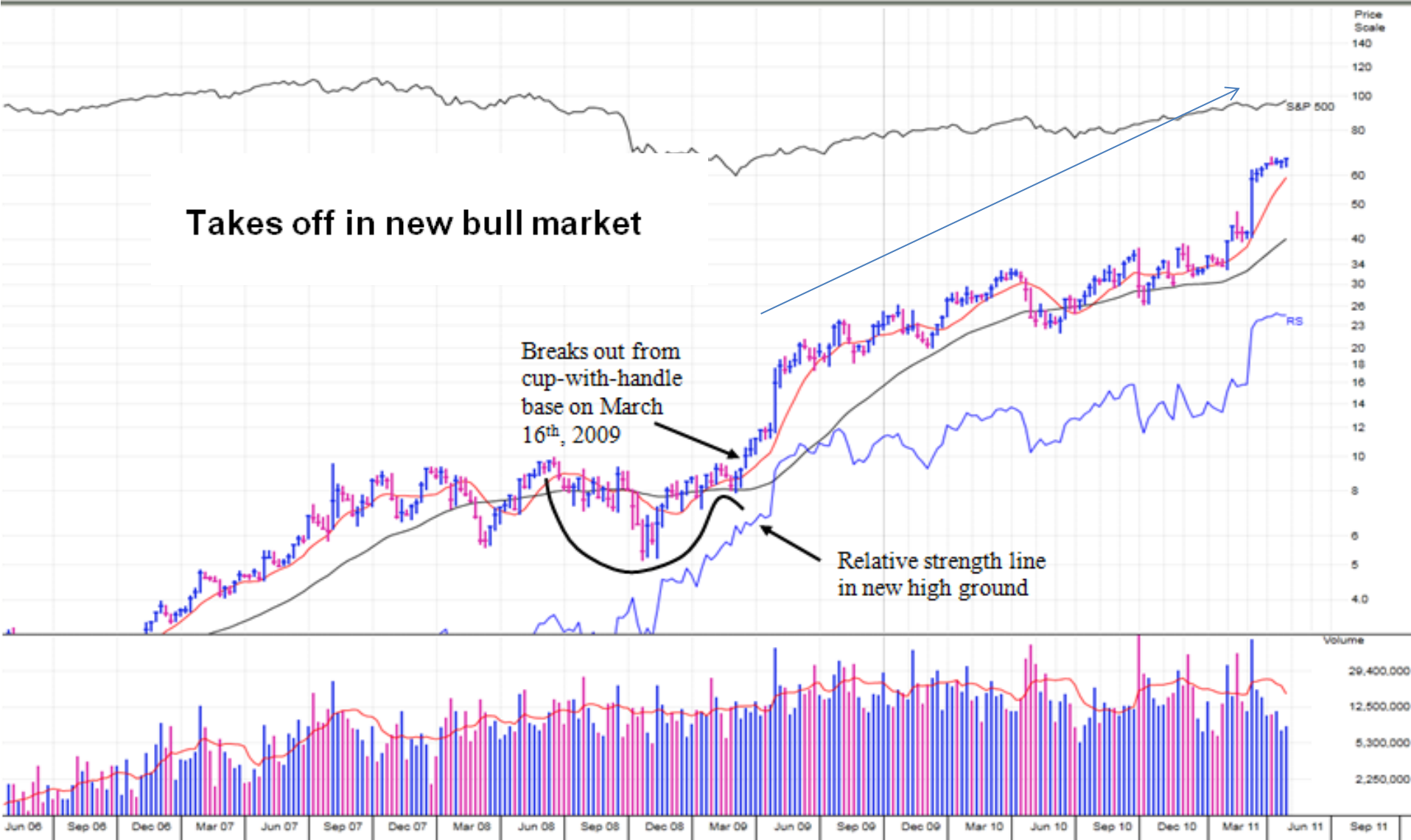


Individual cups of gourmet coffee

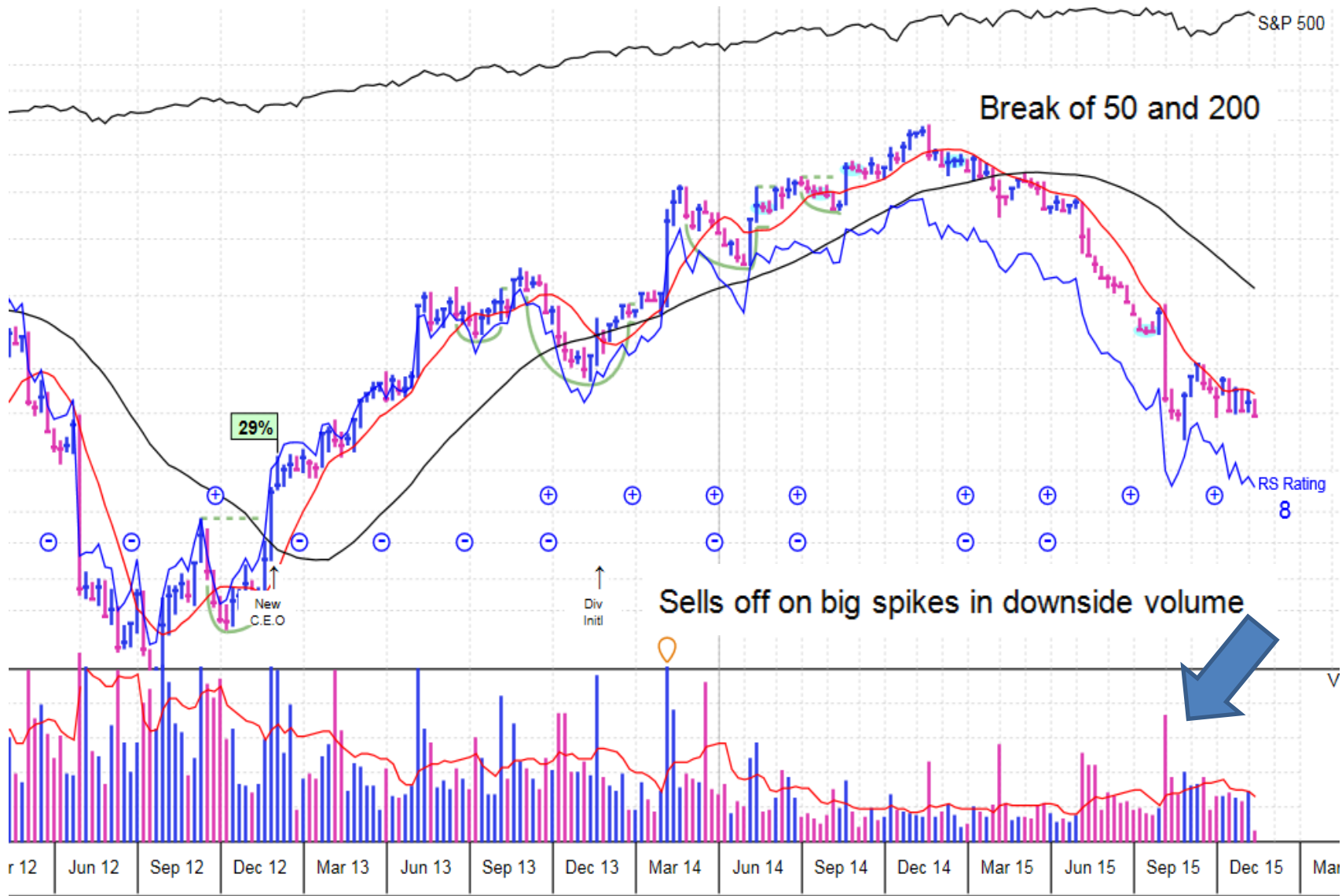
Sold in Wal-Mart just prior to Mother's Day



# Green Mountain Coffee Roasters (GMCR)

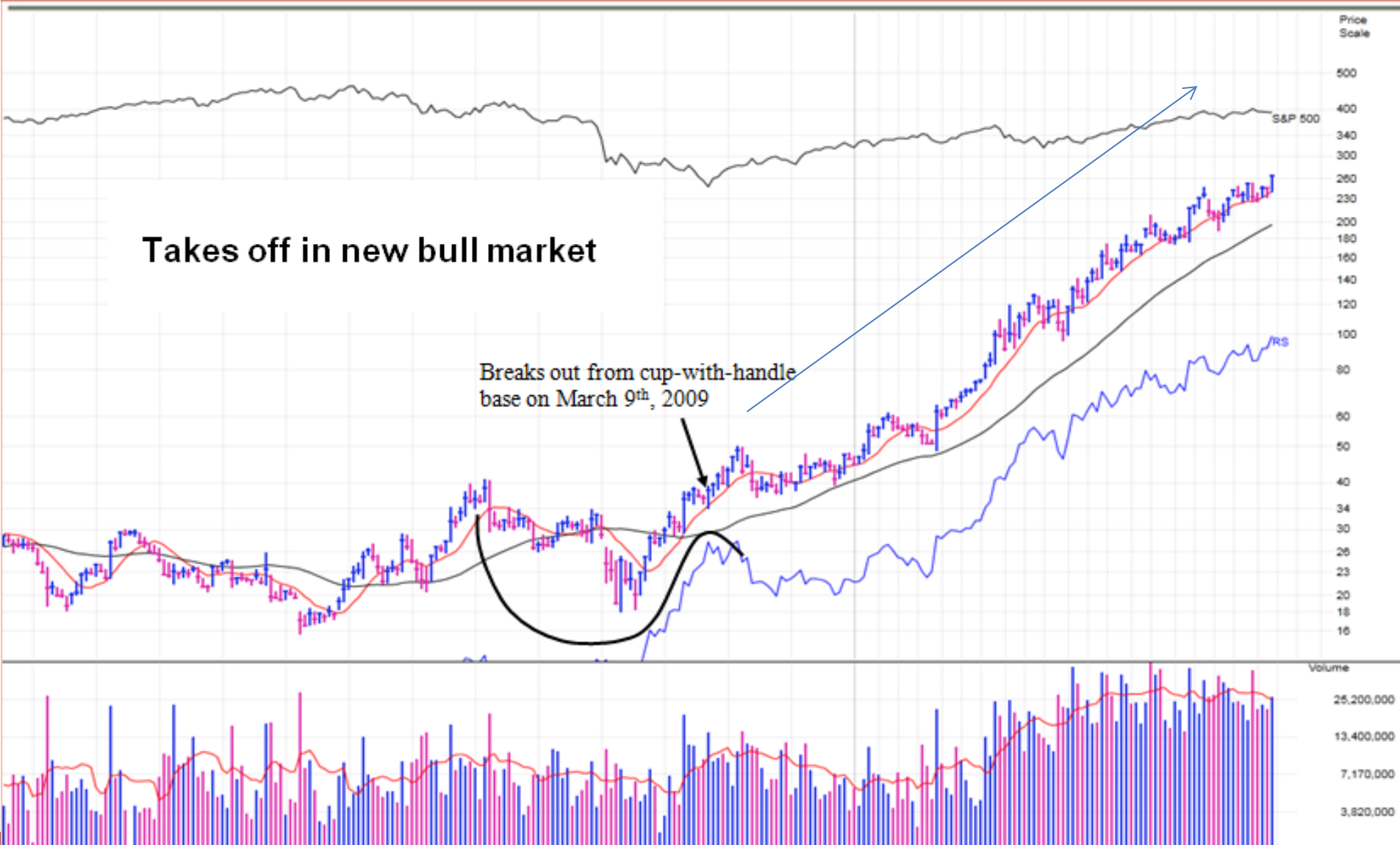


# GMCR – Pulls back after big run

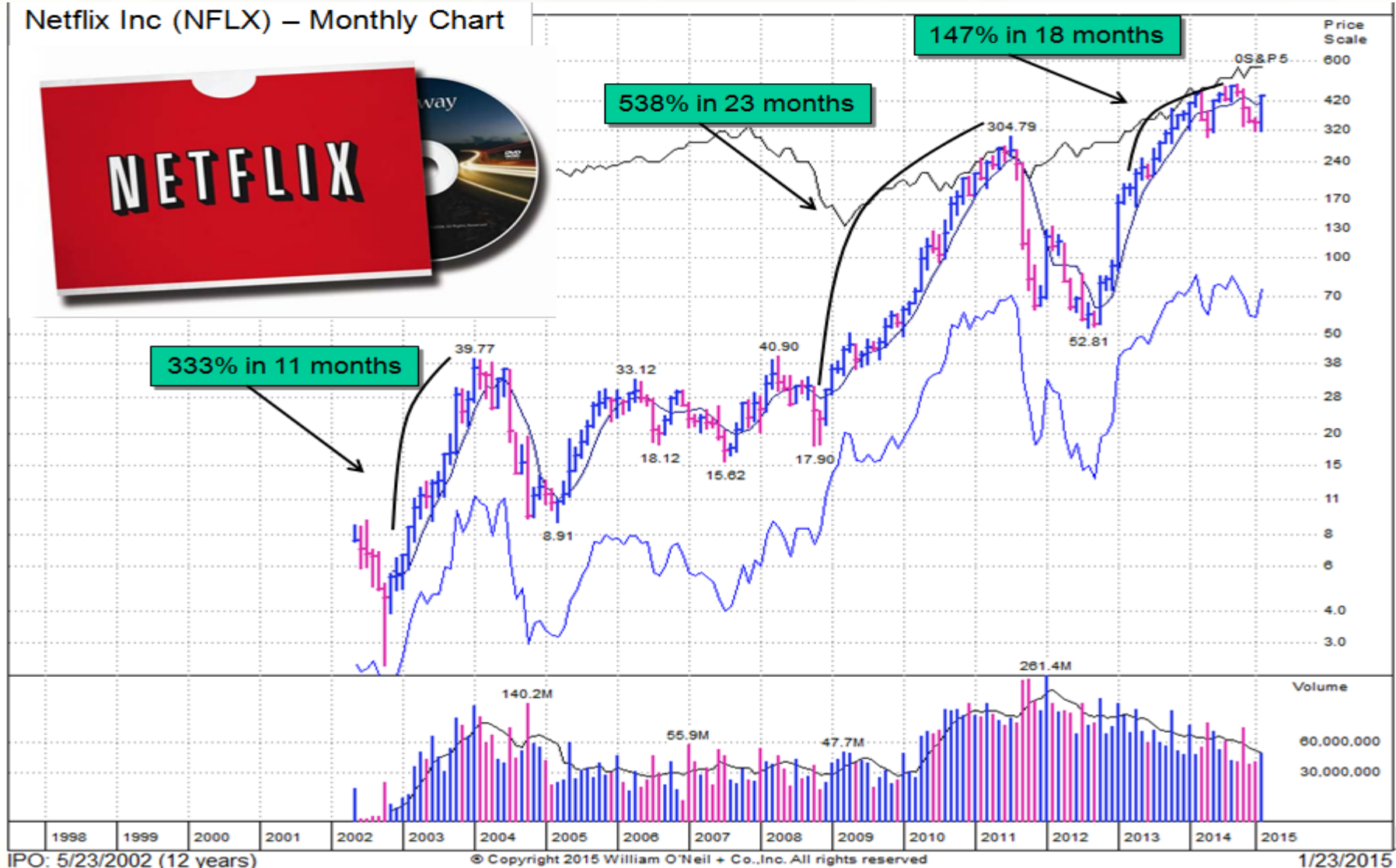




# Netflix (NFLX)



# Netflix Inc (NFLX) – Monthly Chart



IPO: 5/23/2002 (12 years)

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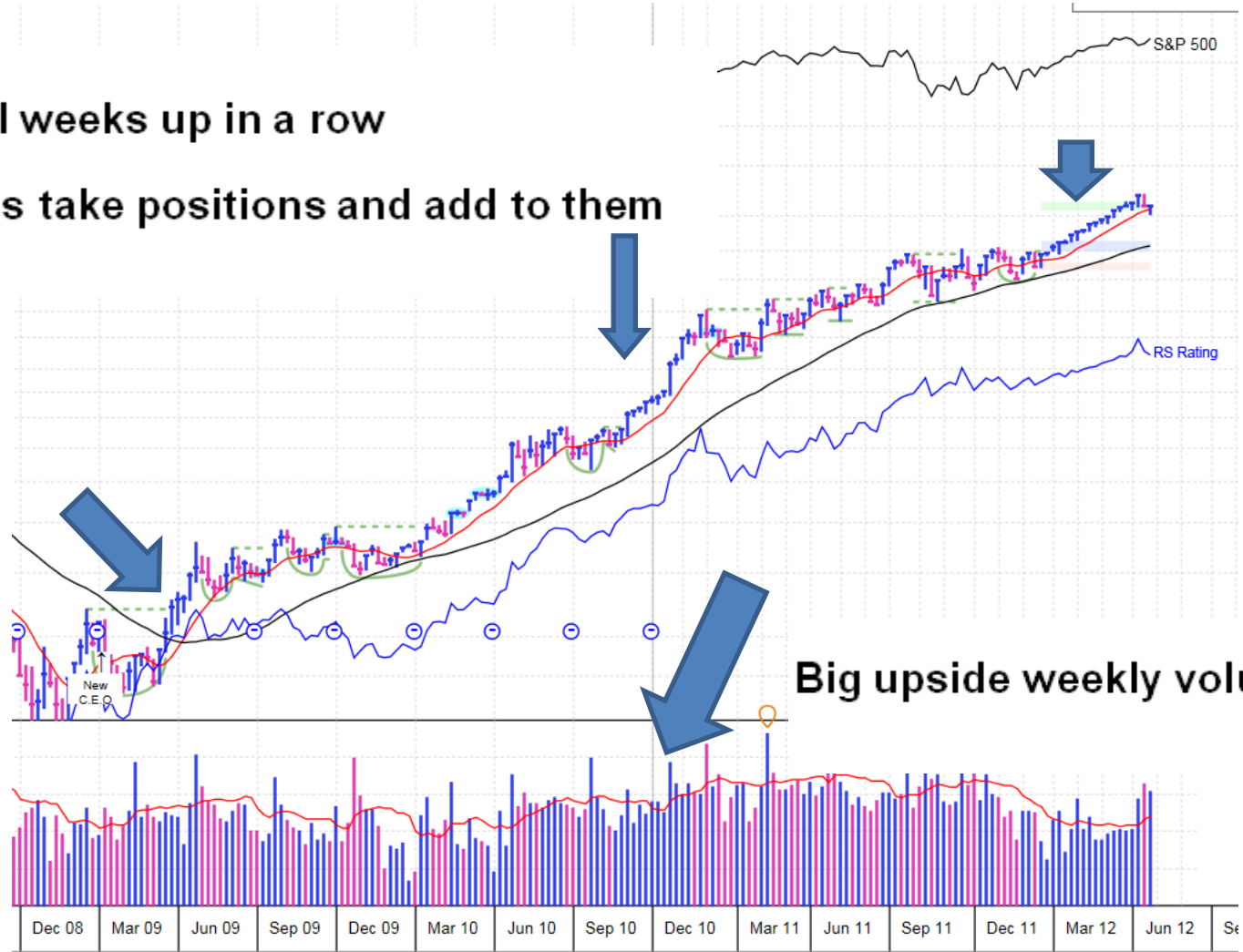
# Chipotle Mexican Grill



# Chipotle Mexican Grill Dec. 2008 – June 2012

Several weeks up in a row

As pro's take positions and add to them



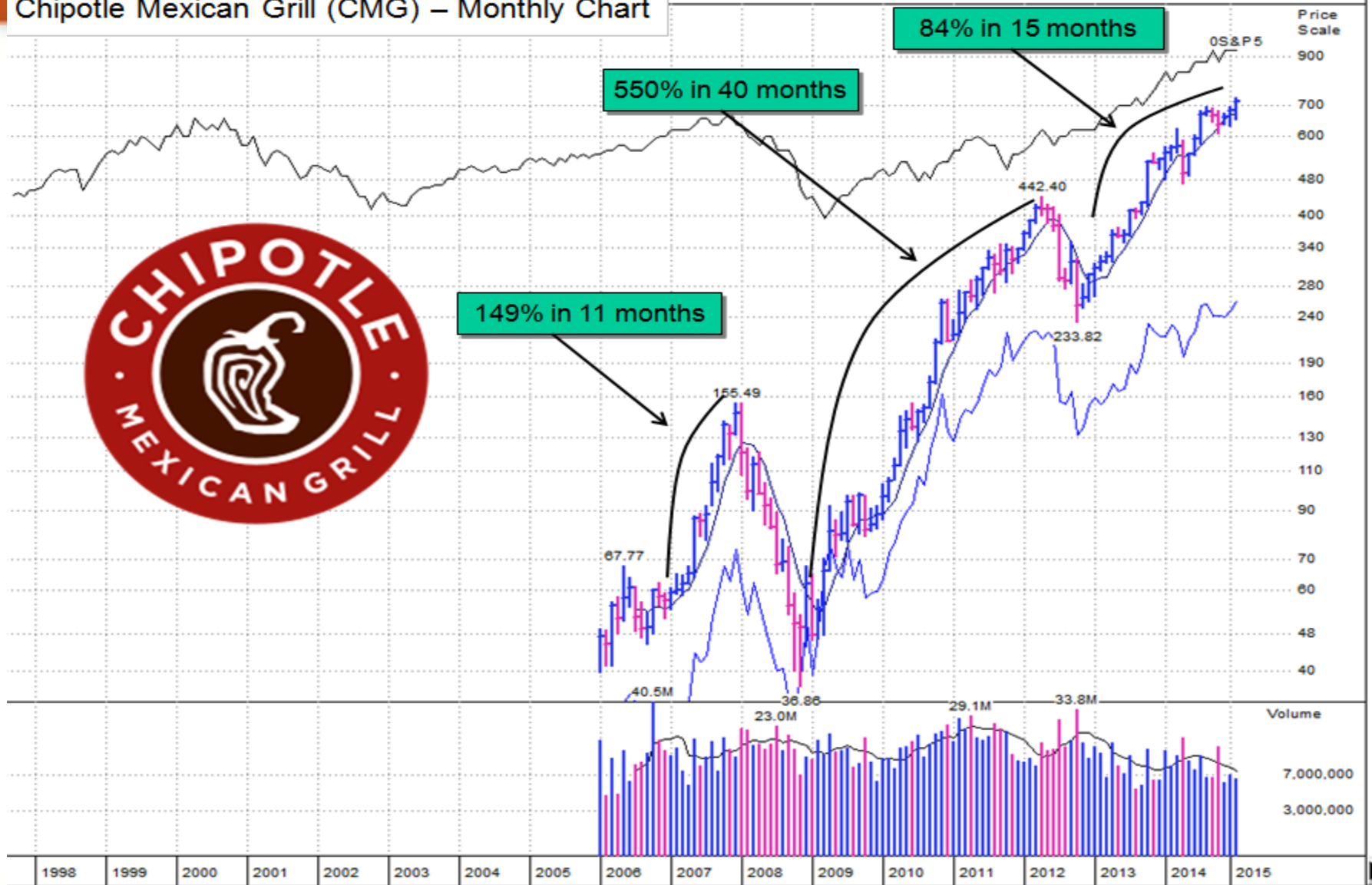
Big upside weekly volume

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# Chipotle Monthly Chart

Chipotle Mexican Grill (CMG) – Monthly Chart

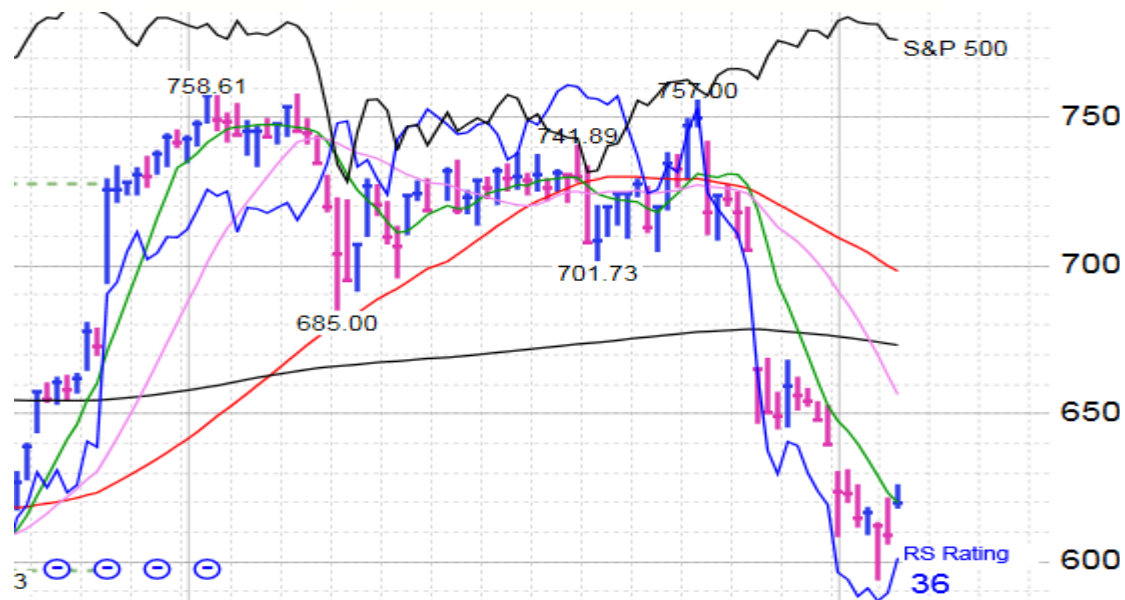


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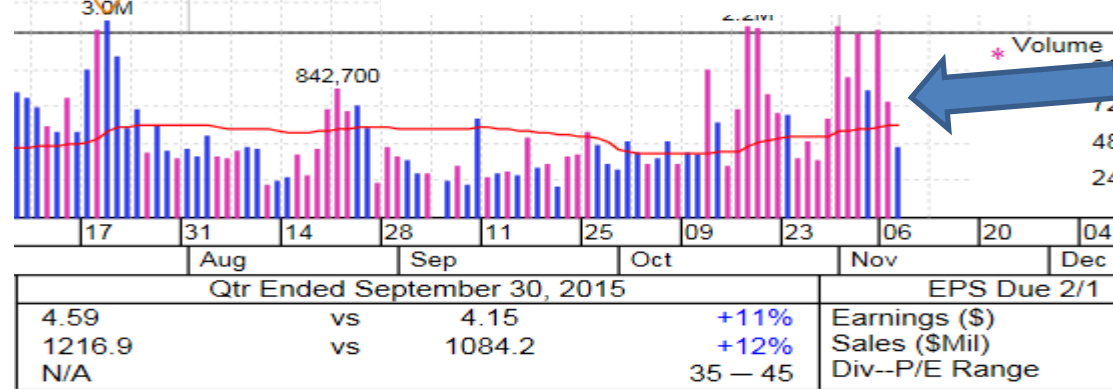
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4/22/2015

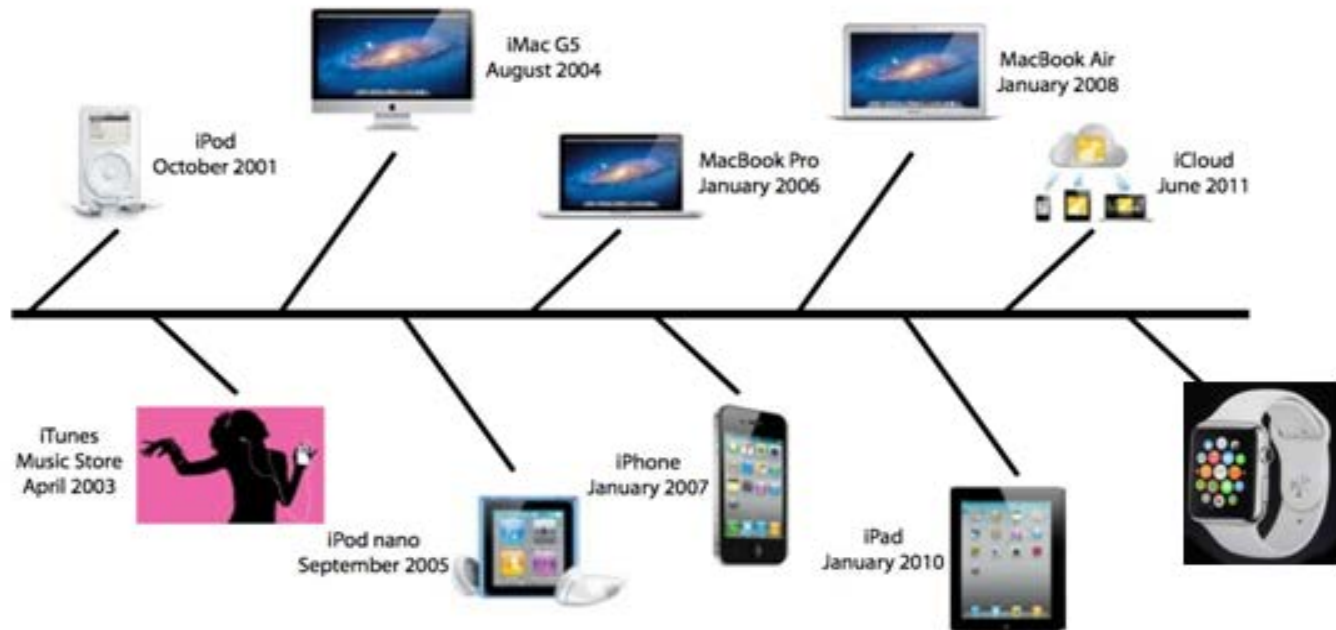
# CMG pulled back on big volume



Sells off on big spikes in downside volume

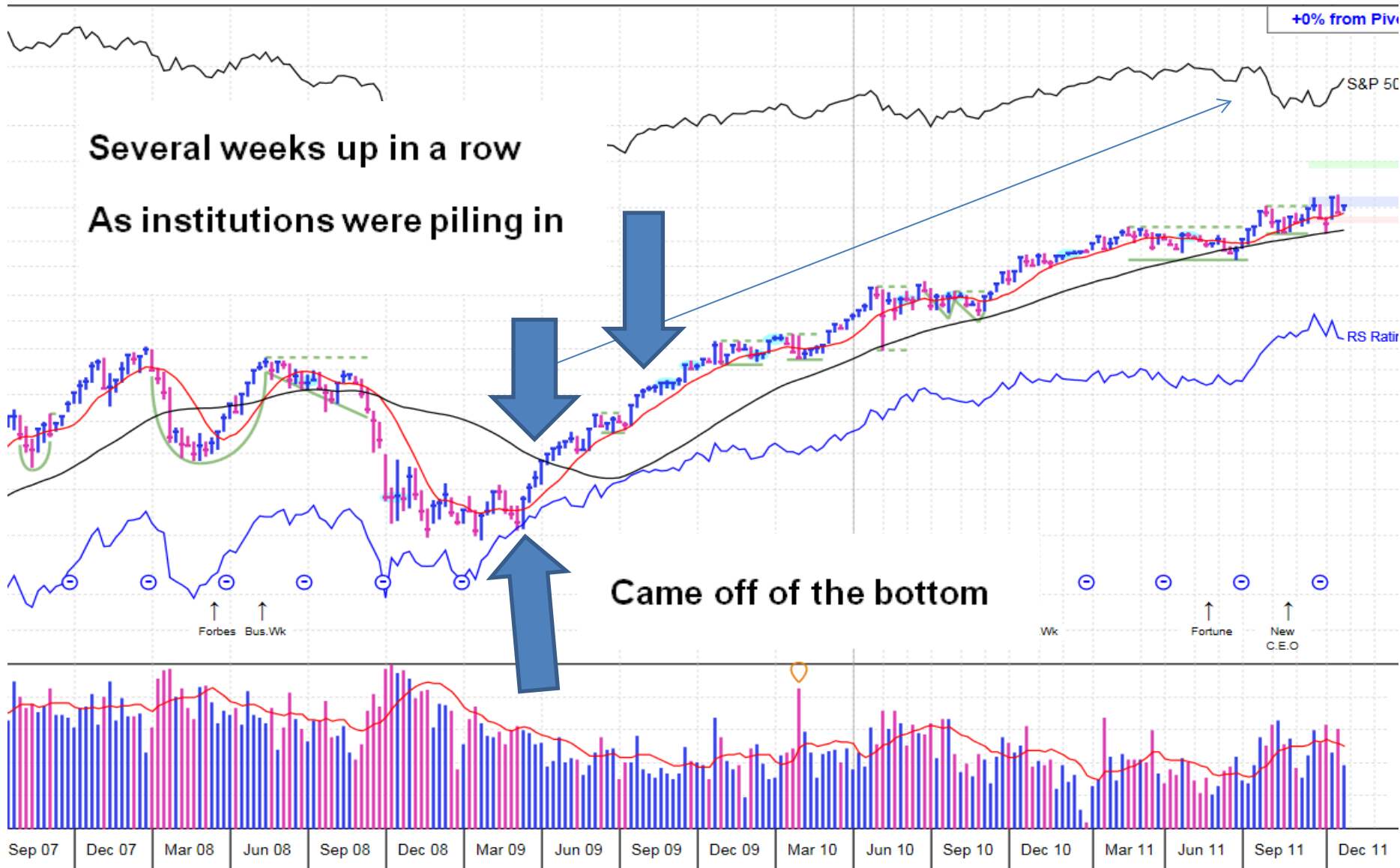


# Innovative companies – products in big demand



Apple classic example from past

# Apple 2009 Moving Higher – New Bull





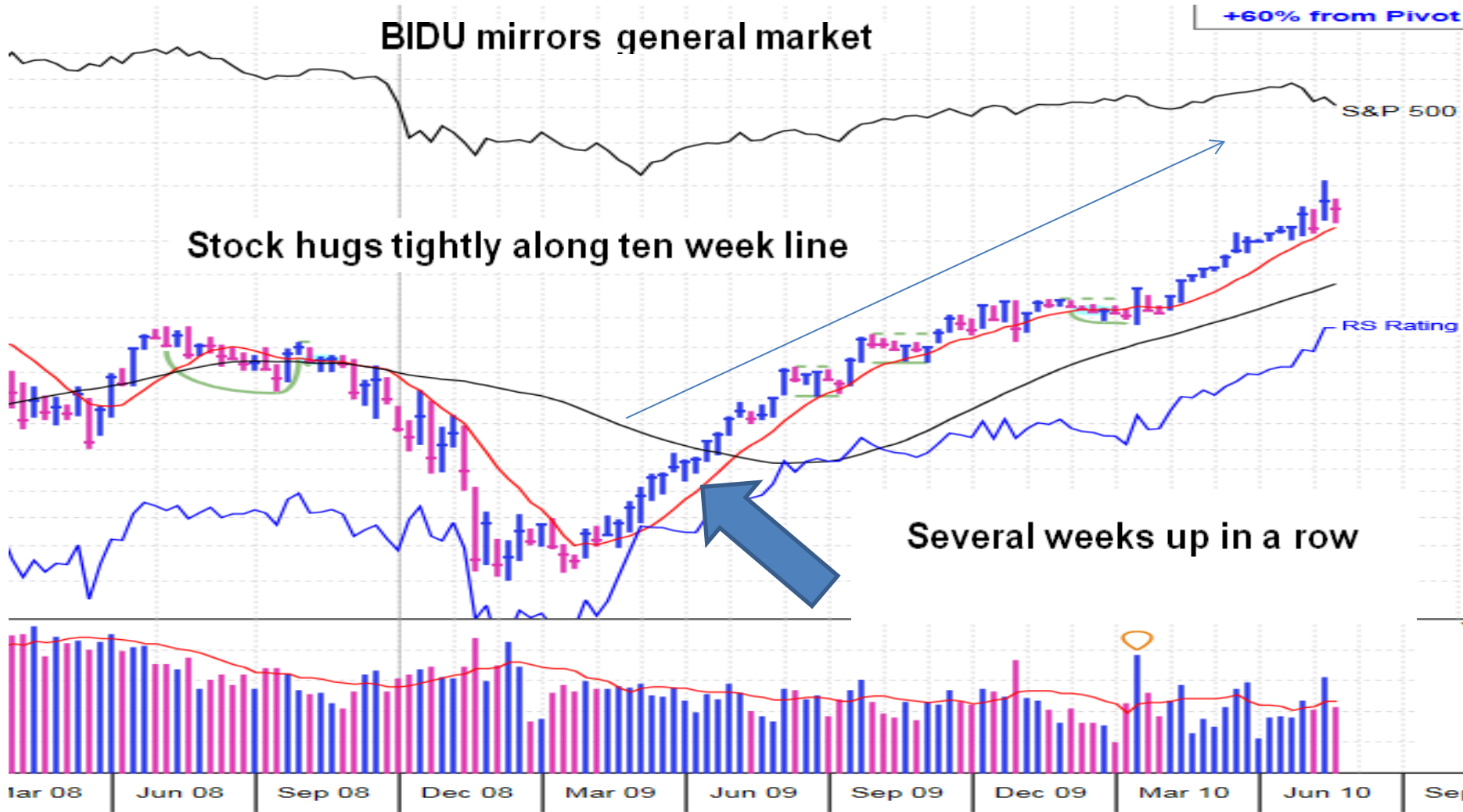
# Baidu Inc Ads (BIDU)

Chinese provider of internet search, targeted online advertising and other internet content services



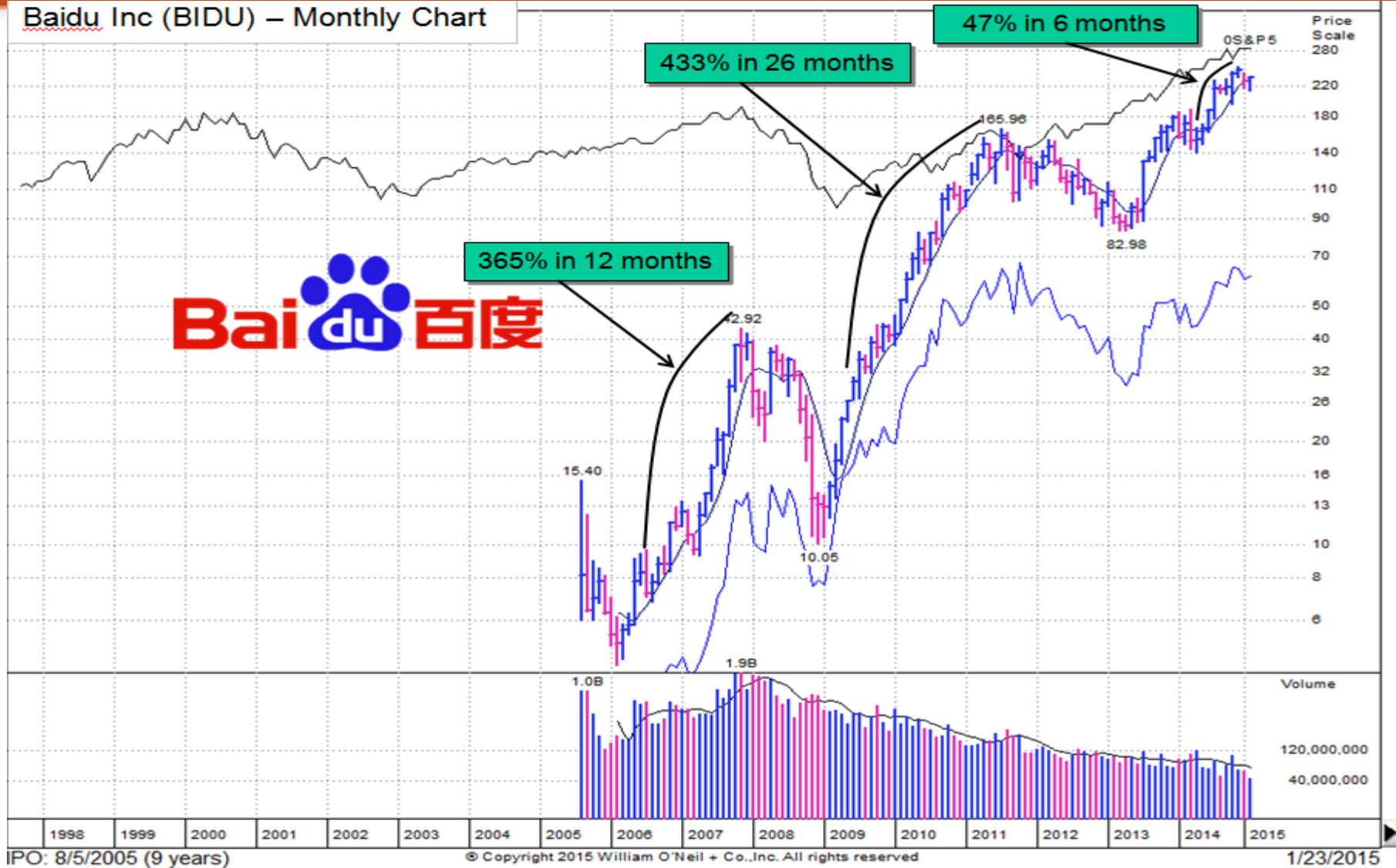
Google of China as  
Millions of Chinese came on line  
For the first time

# BAIDU (BIDU) March 2009



# Baidu Monthly Chart

Baidu Inc (BIDU) – Monthly Chart



IPO: 8/5/2005 (9 years)

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1/23/2015

# What things give you an edge as an investor?

- Earnings
- New innovative product or service that is in huge demand
- Institutional buying – seen by increasing volume, charts don't lie

# **What to look for in earnings:**

Double or triple digit quarterly earnings - the higher the better

This indicates that the companies products or services are in big demand

# Examples:

Starting Jan. 2010 Ultra Salon

Quarterly earnings rose:

+ 62%, 188%, 150%, 79%, 41%,  
61%, 52%, 68%

# Look for Big Quarterly and Annual Earnings

Starting Jan 2010 Lululemon:

Quarterly earnings rose:

+100%, 180%, 114%, 80%, 60%,  
57%, 73, 50%

## Volume Increase

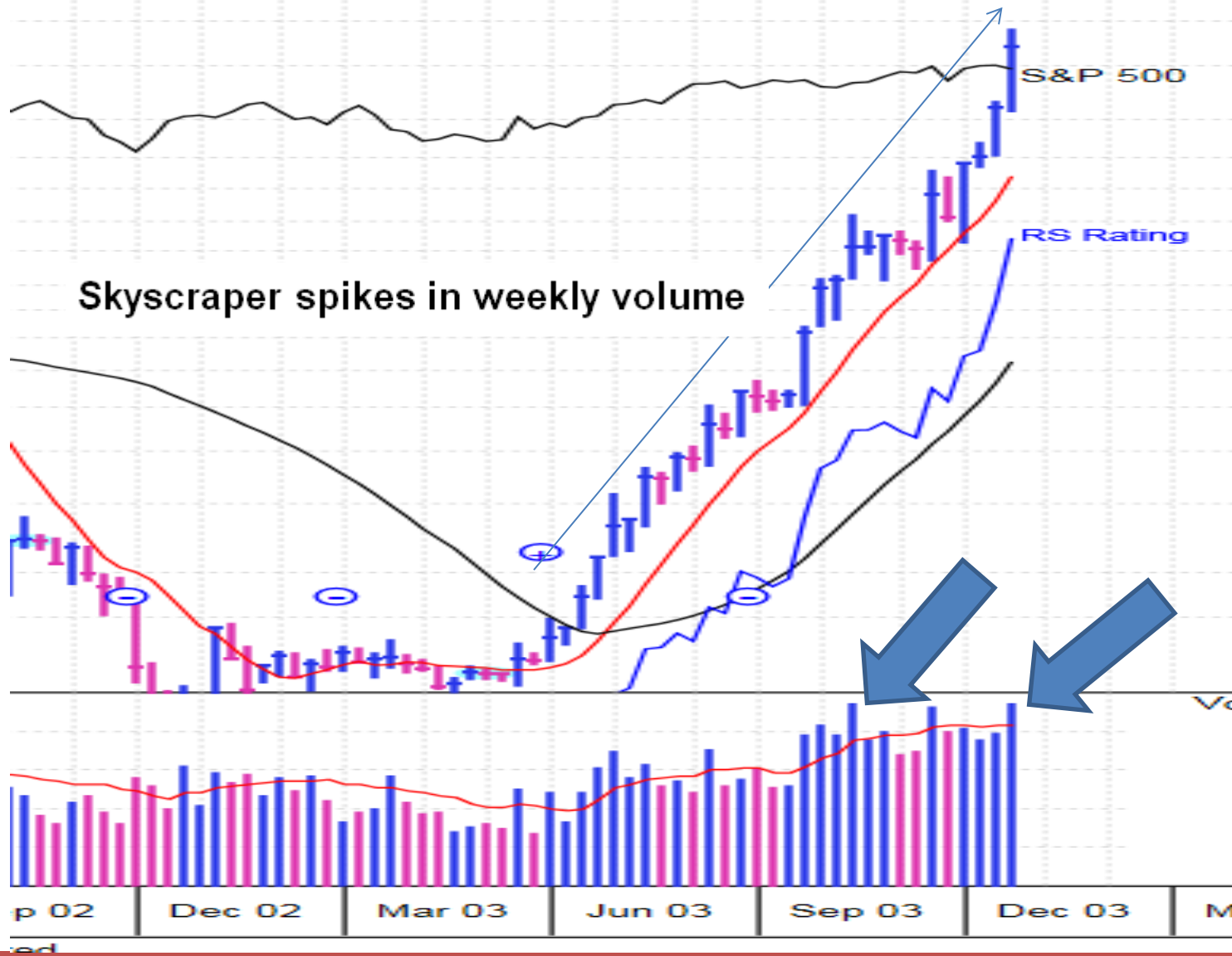
Look for above average volume

Increases of 40% or more show that  
pro's are in there buying shares

The higher the volume the better



# Taser (TASR) 2003 Look for Big Volume



# Lululemon Athletica (LULU)



**lululemon**



**athletica**

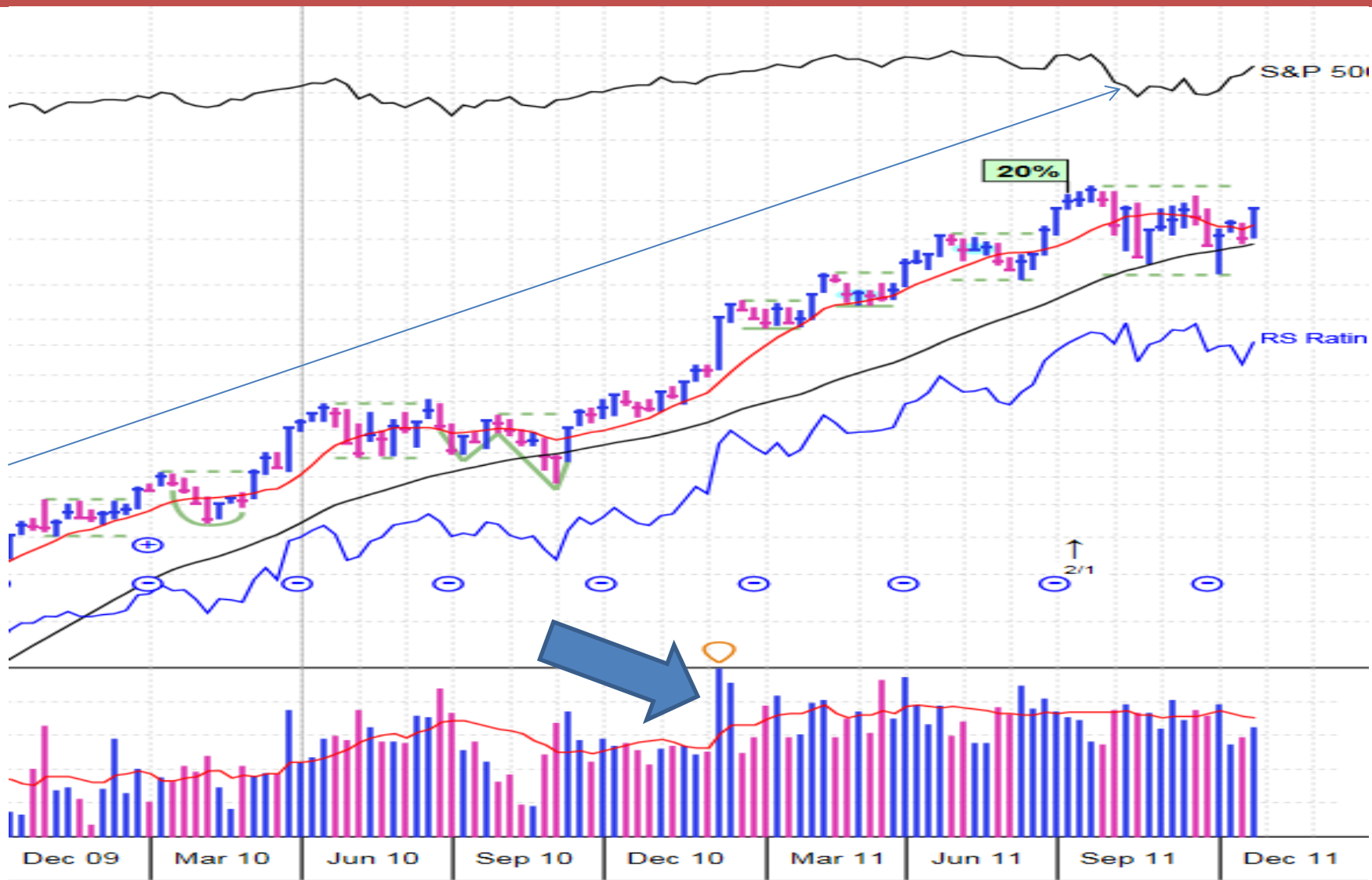
Slightly different big winner

Appeal not to the masses

Expensive yoga clothing

But finds a loyal following

# Lululemon (LULU) 2010 Huge Spikes in Volume



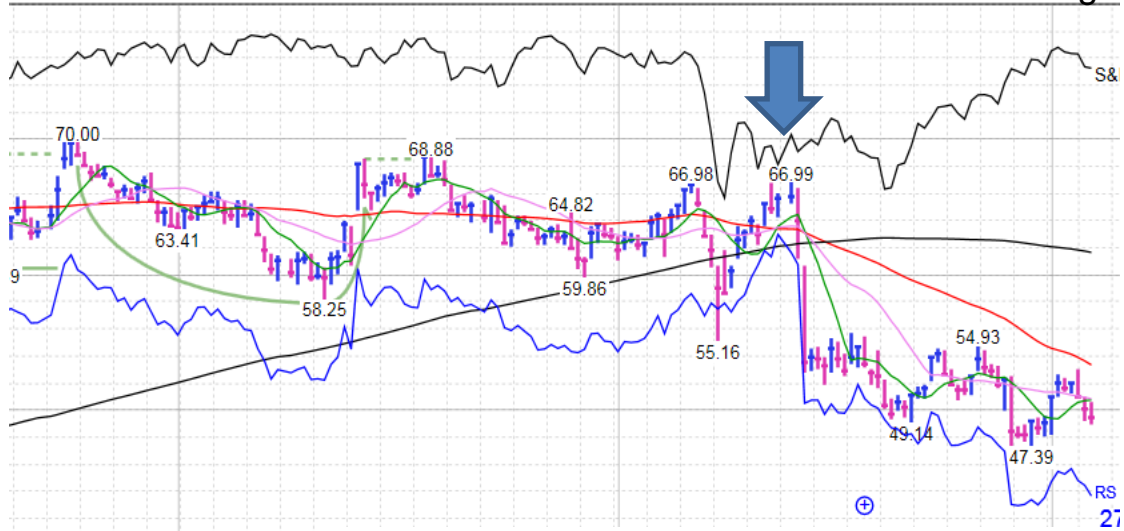
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# LULU sells off on big volume

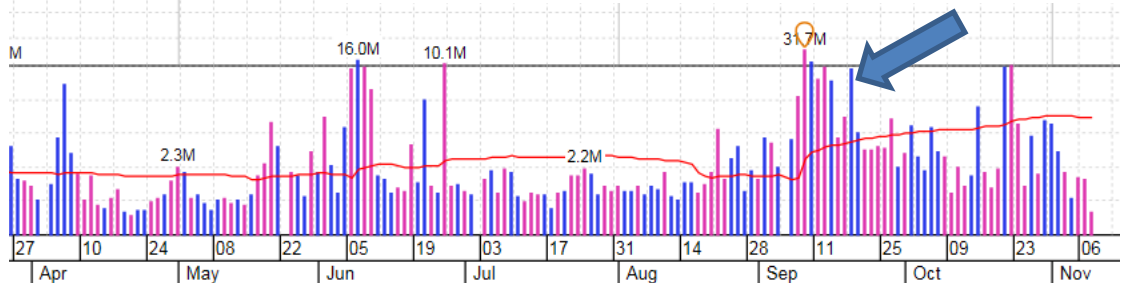
PLANS TO OPEN 43 (17%)

VOLUME 77,970

Market Correcting<sub>ww</sub>



Sells off on big spikes in downside volume



Qtr Ended April 30, 2015				Qtr Ended July 31, 2015				E
14	vs	0.34	0%	0.34	vs	0.33	+3%	Earnings
3.5	vs	384.6	+10%	453.0	vs	390.7	+16%	Sales (C
A			31 - 36	N/A			25 - 35	Div--P/E

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**After a sharp rise in a Super Stock  
be sure to monitor it so you can exit  
the trade if it begins to pull back.**

**Lululemon is a good example of the  
need to sell to protect gains.**

# **Finding Super Stocks:**

**Game changers in their field**

**Fill a necessity or make life easier or  
better in some way**

**Products or services  
In big demand**

**This produces big earnings  
and sales numbers**

**Which captures the attention  
of the professional investor**

**Stay in step with the general market**

**Stocks may make massive moves  
early in bull market cycles**

**New winners may appear in every  
new bull market.**



**Make sure to keep studying and learning.**

**To learn more about chart reading  
and investing go to:  
[Investors.com](https://www.investors.com)**

**Best of luck!**