

INVESTOR'S BUSINESS DAILY

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THE SMART INVESTOR

IBD INVESTOR PROFILE

Holistic System Makes The Difference

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Like the average stockbroker, all Scott Udine had to do was read his company's research reports to find out what his clients should be buying.

The results were . . . well, average. He made money when stocks went up and lost money when stocks went down.

"In my 10 years in private client services, I was following the research of every Tom, Dick and Harry in the research department," Udine said. "You figure if the guy in New York tells you to buy Coke, who am I to second-guess?"

In a bid to boost his performance, Udine searched for new stock-picking tools. Among those, he read investment books by William O'Neil, the founder of Investor's Business Daily, and he started reading the paper.

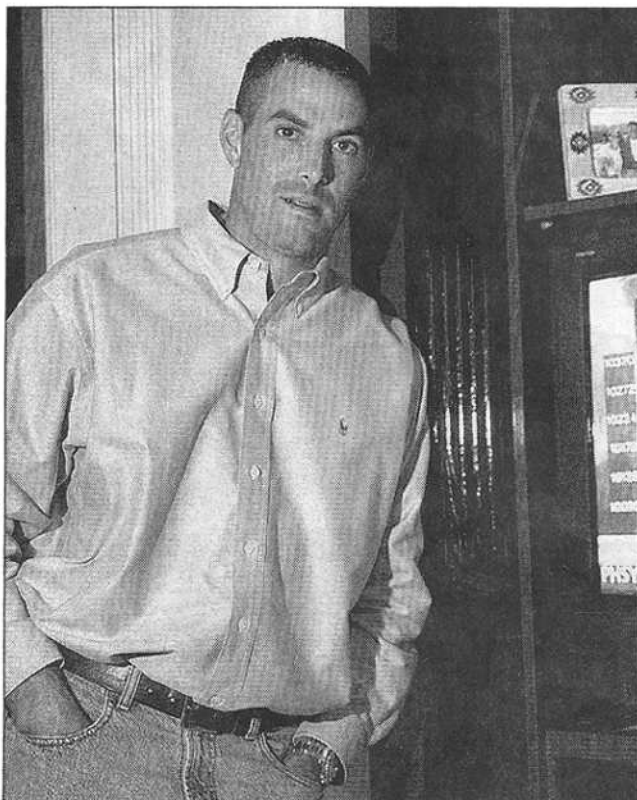
A Skeptic

Udine at first was skeptical about some of the advice in the books. For example, he had a hard time reconciling himself to the idea that a stock at a 52-week high could go higher.

"Buy high and sell higher, that was a hard thing to accept," Udine said.

But he began to understand the reasoning behind such ideas. A stock at a 52-week high has no overhead resistance. So it's free to take off.

"I changed 180 degrees in my trading strategy," Udine said. "It was about 1 1/2 years ago when I started doing more homework on the sub-



Scott Udine had average results when he used just brokerage research. Improvements came when he weighed both fundamentals and technicals. AP

ject and it made sense to me."

Udine's trading day starts the night before. He reads IBD features like Where The Big Money's Flowing, The Real Most Active and Stocks In The News for possibly promising stocks. On Fridays, Udine looks at the Weekend Review and the latest mutual funds buys and sells.

He also uses online resources like Investors.com's Screen Of The Day. In about two hours, Udine will look at the charts for about 500 or more stocks.

For overall market direction, Udine reads The Big Picture and articles at thestreet.com.

Udine jots down in a notebook which stocks are breaking out on big volume or making new highs. Out of those, he'll cull the ones with minimum Earnings Per Share and Relative Strength Ratings of 80.

Udine also checks IBD's Industry

Group Rankings to confirm whether a stock is in a growth industry.

The rankings help Udine eliminate stocks that are nearing their tops. For example, Udine doesn't think the No. 2 ranked Residential and Commercial Building group has much more upside, since it was already the No. 1 group three months ago.

He'd rather look at groups that have made big recent moves to be in the top 60 industry groups. They include industries like Retail Department Stores, which went from No. 79 13 weeks ago to No. 48.

"Usually industries in the top 10 are overextended," Udine said.

The list of stocks gets culled to about 15 or 30. Of those, five to 10 stocks are for short-term trades. The rest are for longer-term trades.

On short-term trades, Udine looks for companies that have hit new highs and are experiencing a pull-

back. They often break out to new highs again. He also looks for big moves on big volume.

Udine set up his home trading screen to give him alerts when his short-term trades make large, two- and four-point price moves.

For longer-term trades, Udine sets alerts for smaller point moves. He looks for stocks with long bases or those readying for a cup with handle or saucer with handle pattern.

He also looks for strong EPS and Relative Strength Ratings as well as being above their 50-day and 200-day moving average lines.

Crafts retailer A.C. Moore Arts & Crafts is an example. Udine bought the stock Oct. 17 as it was beginning to break away from its 50-day moving average on higher volume.

Breakout In Thor

Recreational vehicle maker Thor Industries shot above its 50-day moving average Sept. 28. Udine bought it on Nov. 13 as it broke out to a new high **1**, and it's continued to move higher on higher volume.

"The volumes show you where everything is going," Udine said.

At one time, Udine wouldn't have bothered looking at such companies because they weren't big names.

"Not too long ago, I would be buying a GE or an IBM because those were the name companies," Udine said.

Udine knows the system well enough. But that doesn't mean he stopped reviewing the material.

He keeps O'Neil's "How to Make Money in Stocks" and "24 Essential Lessons for Investment Success" on his nightstand for constant review. Udine figures he's read those books "hundreds of times."

Udine has also read Stan Weinstein's "Secrets for Profiting from Bull and Bear Markets" and Martin Pring's "Technical Analysis Explained."

He also tapes notes of O'Neil's sayings and Investor's Corner articles to his desk. A favorite: The top 25-sell rules, which ran July 23, 2001. It's a synopsis of 25 Investor's Corners on selling (see the "When Should I Sell A Stock?" section at investors.com/learn/fc.asp.)

