

NEWSLETTER

OCT 12, 2024

Market Sense

Mr. Ratan Tata - A Legacy of Leadership and Compassion

Concept Spotlight: Easy Earnings Comparison, Earnings Acceleration



Dashboard



Indicators on TradingView



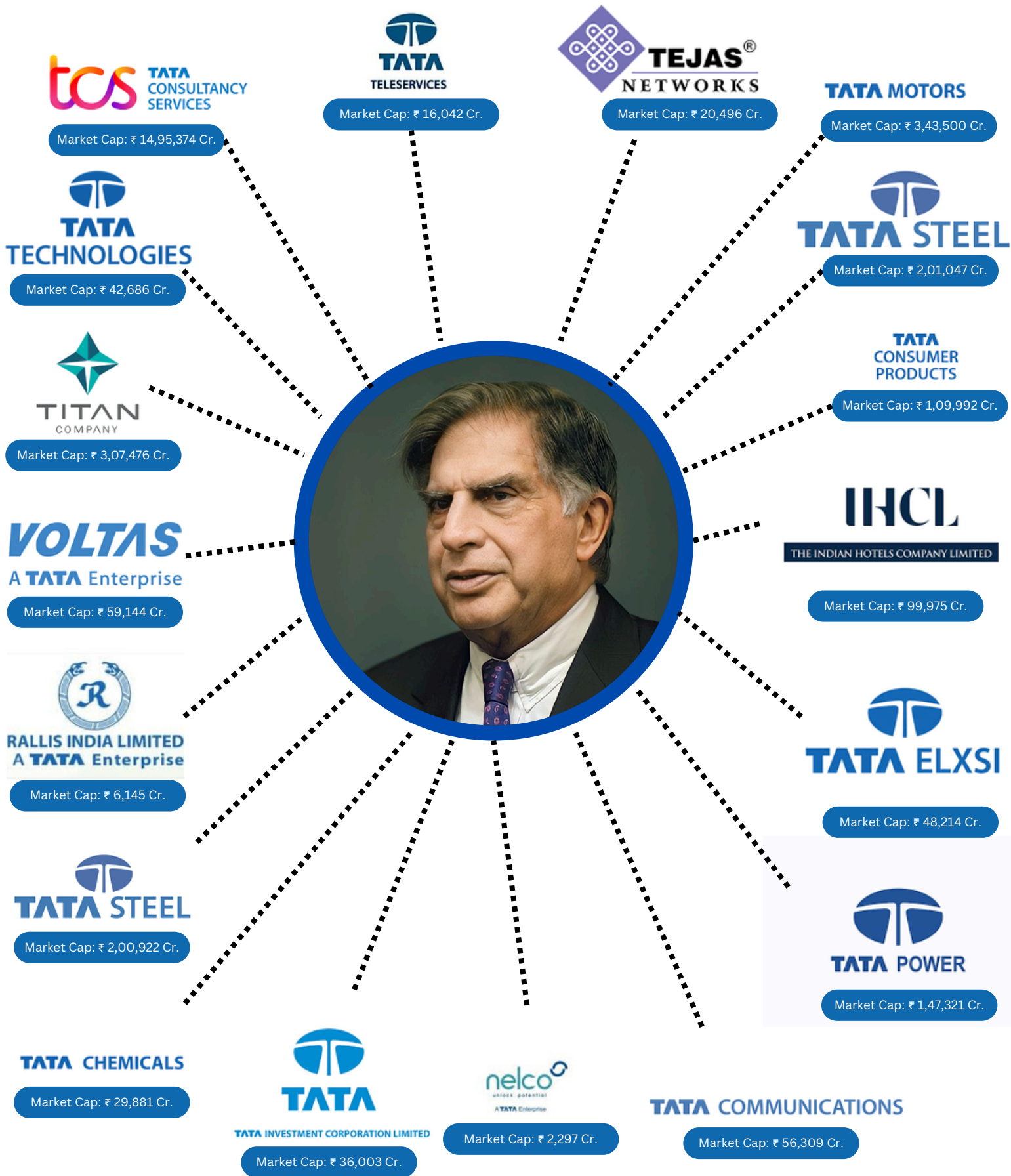
Realtime Alerts



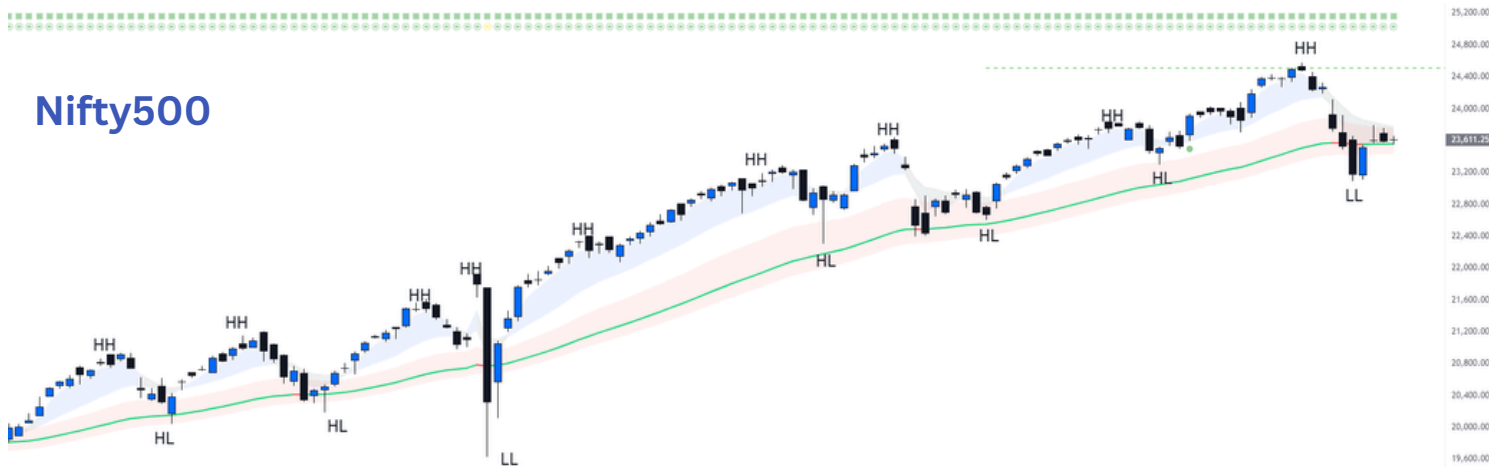
Discussion Group



"A Legacy of Leadership and Compassion "



Nifty500



Geopolitical tensions in the Middle East and FII selling caused nearly a 4% drop in the Nifty500 last week, though this week brought some relief. Technically, the 50EMA has been a reliable support for the Nifty500, and it's holding up again. The Reserve Bank of India kept interest rates unchanged, as expected, but its shift to a 'neutral' stance hints at possible rate cuts by December, a positive sign in a challenging market. With high valuations and FIIs moving funds from India to China, a rate cut could spark the next bull market rally.

The coming week will see India's largest-ever IPO, with Hyundai's \$3.3 billion listing. It remains to be seen whether this will drain market liquidity or boost investor confidence. Starting mid-November, NSE will discontinue weekly index derivatives contracts for Bank Nifty, Nifty Midcap Select, and Nifty Financial Services, retaining only Nifty 50 for weekly derivatives.

Market Breadth

1 Jan 2023 - 12 Oct 2024

Percent stocks over 10/30/50 Day Moving Averages (EMAs)

% above 10EMA

11 Oct 2024 46%

% above 30EMA

11 Oct 2024 41%

% above 50EMA

11 Oct 2024 45%

[Click here to know more about Market Breadth](#)

% of Companies with DCR

DCR Range	10 Oct 2024	11 Oct 2024
< 30%	44	32
30% - 70%	37	45
> 70%	19	23

No. of Companies with Pocket Pivot Volumes

Date	No. of Companies
8 Oct 2024	111
9 Oct 2024	86
10 Oct 2024	86
11 Oct 2024	77

Nifty 500: 10EMA over 20EMA?

● Curtail

Recent Crossback Dates:

Date	Indicator
7 Oct 2024	Crossunder
19 Aug 2024	Crossover
8 Aug 2024	Crossunder
14 May 2024	Crossover
13 May 2024	Crossunder
1 Apr 2024	Crossover

Crossover of 10EMA over 20EMA is a positive indicator for starting LONG positions again, while crossunder is a cautionary sign to cut LONG positions.

- dot favors staying LONG, while
- dot favors curtailing Long positions.

Number of stocks with percentage change over 3%

Date	No. of Cos.	>3%	<3%	% >3%	% <3%
11 Oct 2024	1,628	138	39	8%	2%
10 Oct 2024	1,631	193	37	12%	2%
9 Oct 2024	1,628	270	25	17%	2%
8 Oct 2024	1,625	631	20	39%	1%
7 Oct 2024	1,632	20	1,001	1%	61%
4 Oct 2024	1,633	63	183	4%	11%
3 Oct 2024	1,636	55	448	3%	27%
1 Jul 2024	1,631	501	48	31%	3%

On October 7th, the Nifty500's 10EMA crossed below its 20EMA, signaling a need to reduce positions. We're still in this phase with the 10EMA trailing below the 20EMA. Key short-term moving averages recently approached oversold levels and bounced back. The market's direction remains uncertain, but if the Nifty500 climbs above 23,800, it would boost our confidence to take comfortable long positions for swing trades. Further, given that we are in earnings season, the upmoves can be selected from here.

As of the end of this week, no sector has more than 50% of its stocks with their 10EMA above a rising 20EMA, indicating a lack of strength in any specific sector. Therefore, we will not be including the Weekly Sector Performance Review in this week's newsletter.

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Easy Earnings Comparison (EEC)



Our markets are obsessed with growth! Earnings beats and jaw-dropping growth rates make everyone sit up and take notice. It's not just about the numbers; it's about the excitement, the momentum, and the potential for even bigger gains.

As traders, if we can spot these potential winners before they hit the spotlight, we position ourselves to ride the wave of enthusiasm that follows their earning reports. That's why identifying companies on the brink of reporting blockbuster numbers is crucial.

This concept is known as '*Easy Earnings Comparisons*' and it is taken from the book '*Insider Buy Superstocks*' by **Jesse Stine**.

PG Electroplast (NSE: PGEL)

	Sep-23	Dec-23	Mar-24	Jun-24
Sales	460	532	1,077	1,321
Net Profit	12	19	70	84

Shakti Pumps (NSE: SHAKTIPUMP)

	Sep-23	Dec-23	Mar-24	Jun-24
Sales	153	496	609	568
Net Profit	6	45	90	93

Zen Technologies (NSE: ZENITEC)

	Sep-23	Dec-23	Mar-24	Jun-24
Sales	66	100	141	255
Net Profit	14	30	38	79

Consider this example of **PG Electroplast (NSE: PGEL)**:

For the upcoming Sept'24 quarter, PGEL's results will be compared against a modest base of ₹460 crore in Sales and ₹12 crore in Net Profit from Sept'23 quarter last year. In each of the last three quarters (Dec'23, Mar'24 & June'24), PGEL reported significantly higher numbers! Even if PGEL matches its June'24 figures in the upcoming Sept'24 quarter results, the year-over-year comparison with the Sept'23 quarter will make the performance look like a blockbuster!

Same is the case with Shakti Pumps and Zen Technologies, which you can notice yourself.

Damn! Why did I not know this before? Now tell me, how do I find such companies before they report Blockbuster earnings??



Arrey! It's Easy Peasy! Just use Pro-Setups, it gives you one-click solution for identifying such companies.



Dashboard lets you scan for stocks which have the possibility of reporting Blockbuster earnings in the upcoming quarterly results.



Earnings Growth Filters

Sales, Earnings, Margins Acceleration

Sales Earnings Margins

Easy Earnings Comps [\(now more\)](#)

Power Earnings Gap (an Episodic Pivot)

Code 33 [\(Know More\)](#)

Fundamental Score



Sales Growth % (Y/Y) - Recent Qtr



PAT Growth % (Y/Y) - Recent Qtr



Sep'24 Qtr Results

Results' Impact on Price

Sales, Earnings & Margin Acceleration

EARNINGS ACCELERATION

In addition to large earnings increases that are better than analysts expect, I'm looking for earnings acceleration, meaning that the growth in earnings is larger than it was in a previous period. **More than 90 percent of the biggest stock market winners showed some form of earnings acceleration before or during their huge price moves.**

For instance, let's say that four quarters ago the company reported a \$0.05 decline year over year in quarterly earnings. Three quarters ago, earnings were up 10 percent year over year. Then, two quarters ago, earnings were up 28 percent, and in the most recent quarter, results are up 56 percent. That's three quarters of earnings accelerations. Year-over-year earnings are growing by an increased rate sequentially, quarter to quarter. This characteristic is very positive and has been shown to exist in most of the best performing stocks.



	Q4	Q1	Q2	Q3	Q4 (EST.)
EPS	-34%	+12%	+44%	+83%	+244%
EPS (\$)	0.14	0.29	0.39	0.50	
ESTIMATE	0.16	0.23	0.30	0.36	0.48
+/-	-0.02	0.06	0.09	0.14	



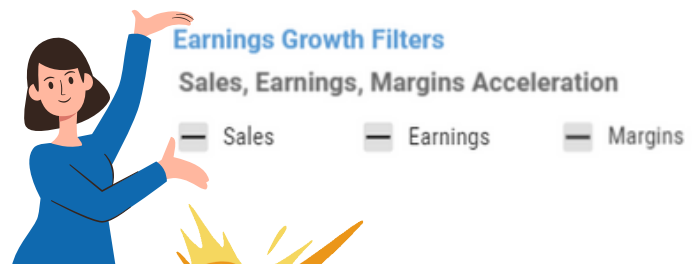
The concept of **Earnings Acceleration** is taken from the book '*Trade like a Stock Market Wizard*' by Mark Minervini.

Here, we are comparing the **year-on-year growth rates** of earnings of last few quarters. According to Minervini, a company qualifies for Earnings Acceleration, if the earning growth rate is constantly increasing since last 3 quarters.

So, if EPS increased by 5% in Mar'23, 10% in June'23, 15% in Sep'23, 20% in Dec'23 - it qualifies for Earnings Acceleration because growth rate of Dec'23 > Sep'23 > June'23 > Mar'23.

Pro-Setups Dashboard has filters for **Sales and Margins Acceleration**, in addition to **Earnings Acceleration**.

To relax the filters a bit, instead of considering 3 quarters of continuous acceleration, we have considered 2 quarters of continuous acceleration.



WHAT IF YOU GET SALES, EARNINGS AND MARGINS ACCELERATION, ALL TOGETHER??



That's like hitting on all cylinders and Mark Minervini named it **Code 33**.

Pro-Setups Dashboard has got you covered there too with a readymade filter.

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 www.pro-setups.com

 puneet@pro-setups.com

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