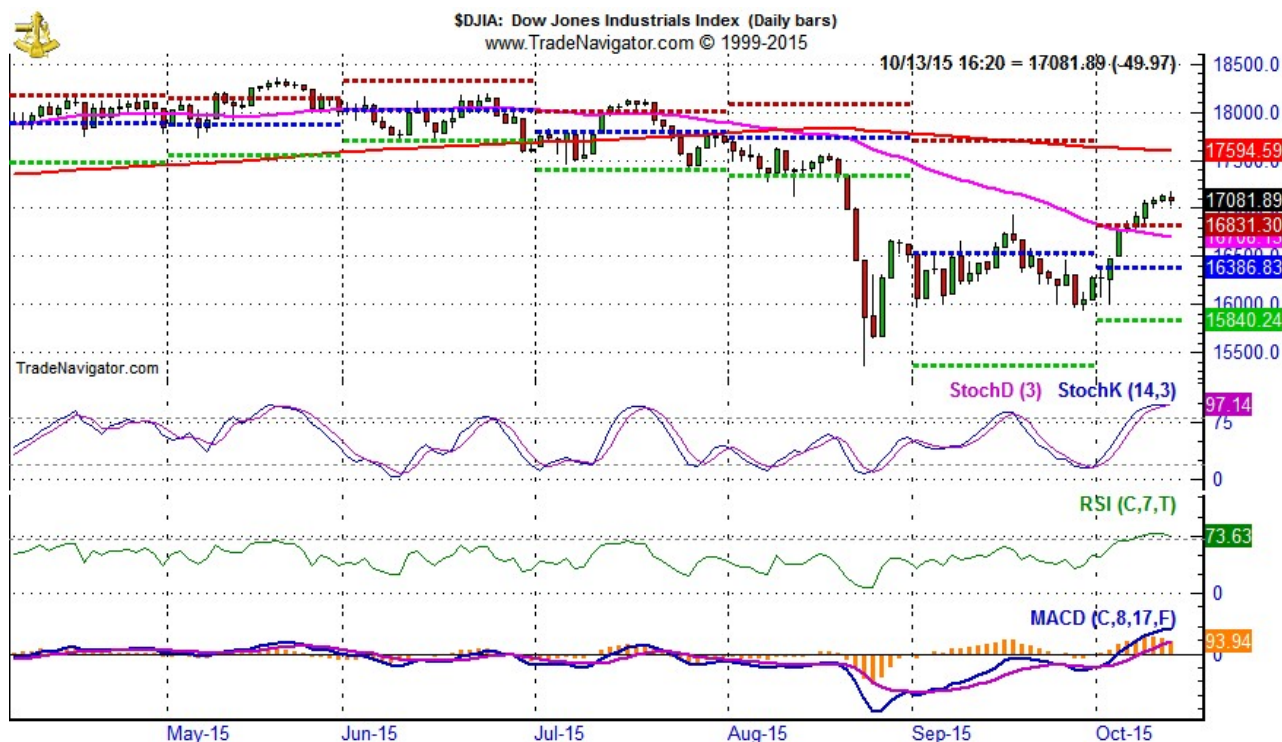
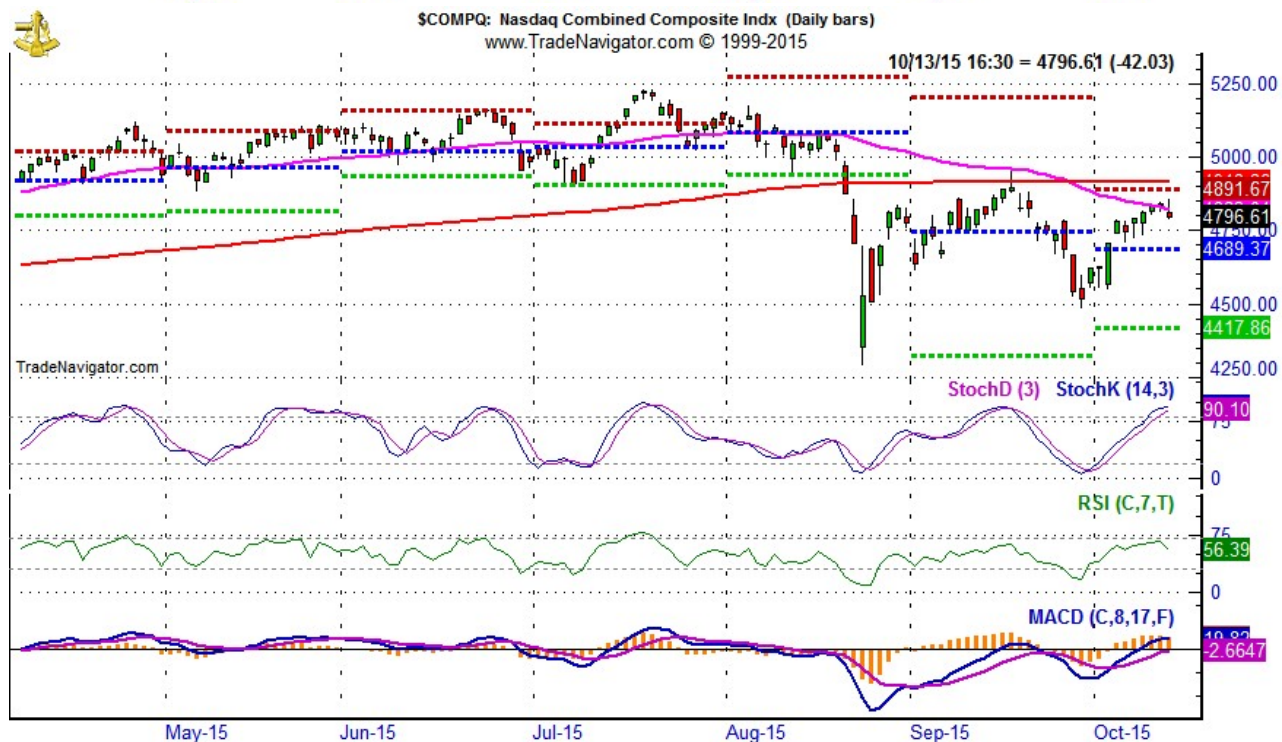
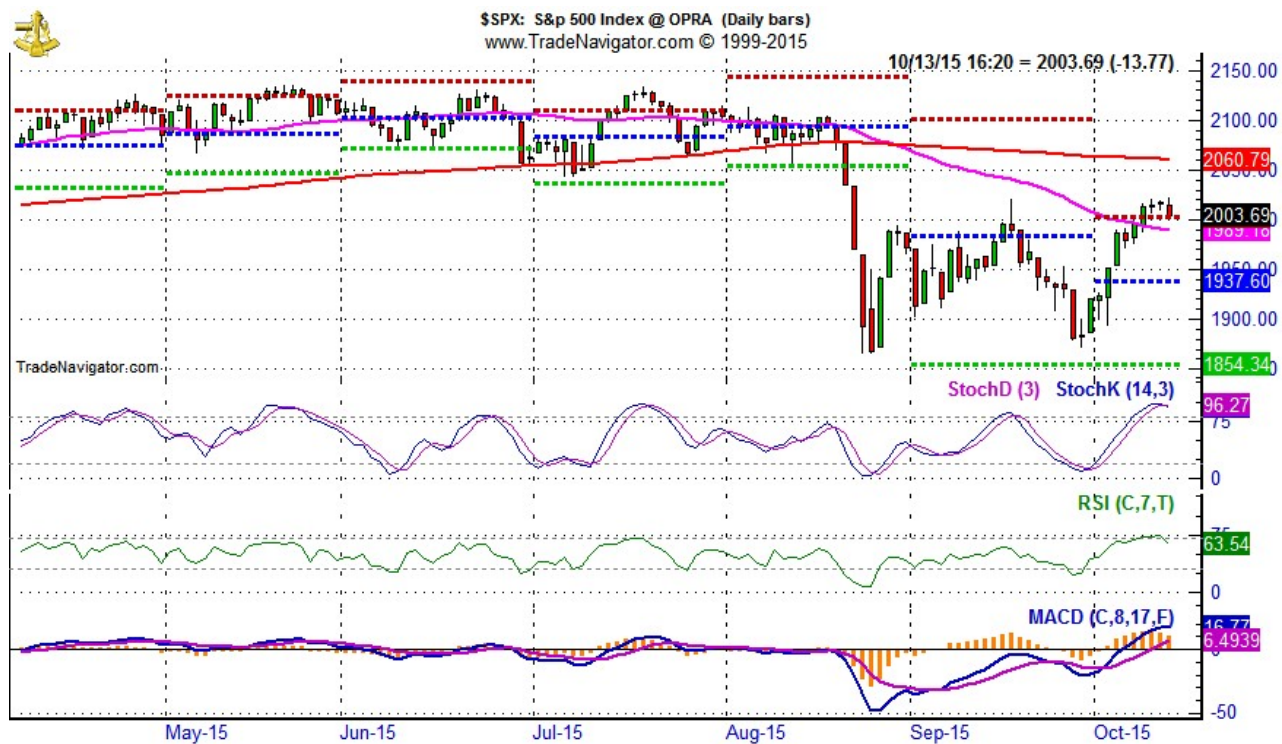


## Mid-October Stock Basket: Buying the dips

By: Christopher Mistal | -- | [Email](#) | [Print](#)

After putting up its best week of the year, the market is taking a pause to consolidate recent gains and evaluate earnings reports. For the week ending October 9, S&P 500 was up 3.3%, Russell 2000 gained 4.6% and DJIA was up 3.7% (second best of 2015). Technology was the laggard last week with NASDAQ advancing just 2.6% (seventh best week of 2015). Thus far, our Seasonal MACD Buy Signal issued after the close on October 5 has proved timely. We entered new long positions associated with our Best Six Months Switching Strategy during weakness last Tuesday and were rewarded with a fair portion of last week's advance.





DJIA and S&P 500 have broken through resistance at their rapidly descending 50-day moving averages (solid magenta line), but NASDAQ came up short during the recent rally. For this rally to resume we are looking for DJIA and S&P 500 to hold above their respective 50-day moving averages or at worst dip and/or close just slightly below and for NASDAQ to "catch up". Without NASDAQ leading the rally, a robust fourth quarter performance will become even more challenging for the market.

**A Basket of Stocks for the "Best Months"**

These 16 stocks all have reasonably solid valuations, healthy revenue and earnings growth, while exhibiting positive price and volume action as well as other constructive technical and chart pattern indications. The group of 16 covers a broad array of sectors and industries. It also runs the gamut of market capitalization with a mix of large caps with more than \$5 billion in market value, midcaps in the \$1-5 billion range, and small caps under \$1 billion with one microcap for good measure to round out the diversity.

We first sifted through the universe of about 8,000 U.S. traded stocks for those with a market cap of at least \$25 million and average daily volume of 50,000 shares or more on average over the past twenty trading sessions. Then we winnowed the list down to only those stocks with relatively low price-to-sales and price-to-earnings ratios. From there we looked for stocks that were exhibiting revenue and earnings growth.

With this list of about 50 stocks we dug into each individual company and chart before settling on these final 16 stocks. Our underlying theme was to find reasonably priced stocks quietly growing sales and earnings that are flying somewhat under the radar with few on The Street paying close attention to them. As market cap goes higher, this becomes increasingly challenging and a history of earnings surprises becomes even more important.

At the end of the screening process we found that homebuilders, medical and financial industries were well represented in the basket. We did not search specifically for top-performing stocks within these sectors, this just happens to be where reasonable value and solid growth currently exist.

This basket is being presented in order to take advantage of the "Best Six Months" (November to April) for stocks. Volatility is still present and we will look to add these 16 stocks, in the table below, on dips. We will allocate a hypothetical \$2000 from the cash position in the portfolio to each position. For each stock we have provided the ticker, name, sector, general business description, plus annual sales growth, PE, price-to-sales ratio, market value, a dividend yield and a suggested buy limit and stop loss.

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Almanac Investor Mid-October Stock Basket October 12, 2015 Closes											
Symbol	Name	Sector/Industry	General Business Description	Sales Growth	P/E	P/S Ratio	MV \$mil	Price 8/18/14	Yield	Buy Limit *	Stop Loss *
<b>Small Cap &lt;\$1Bil</b>											
CCS	Century Communt	Construction	single-family homebuilder in CO, TX, GA, NV	111.8	16	0.8	445	20.86	N/A	19.80	15.25
PLOW	Douglas Dynamic	Auto-Tires-Trucks	snow & ice control equipment maker, plows, sanders	56.2	13	1.4	489	21.88	4.07	21.25	16.36
LGIH	Lgi Homes Inc	Finance	single-family homebuilder in FL, GA, TX, AZ	135.4	19	1.4	651	32.69	N/A	30.10	23.18
VSR	Versar Inc	Industrial Products	project management, DOD contractor	45.0	24	0.2	34	3.42	N/A	3.02	2.33
WD	Walker & Dunlop	Finance	multi-family & commercial real estate finance	13.1	12	2.0	855	28.04	N/A	26.90	20.71
<b>Mid Cap &gt;\$1 Bil &amp; &lt;\$5 Bil</b>											
CALM	Cal-Maine Foods	Consumer Staples	shell egg producer	9.4	10	1.5	2,706	55.80	2.27	54.90	45.57
MMSI	Merit Medical	Medical	design, produce, market medical devices & supplies	13.5	25	2.0	1,055	23.89	N/A	22.40	19.04
SMG	Scotts Mircl-Gr	Basic Materials	lawn & garden care products	0.9	19	1.3	4,012	65.48	2.87	63.20	53.72
SUN	Sunoco Lp	Oils-Energy	wholesaler & retailer of motor fuels	19.8	14	0.1	1,091	35.88	7.73	34.35	29.20
TMH	Team Health Hld	Medical	outsourced healthcare staffing and services	11.3	21	0.7	3,825	52.80	N/A	51.50	42.75
<b>Large Cap &gt; \$5 Bil</b>											
CNC	Centene Corp	Medical	govt subsidized managed healthcare service provider	52.4	21	0.4	6,824	57.28	N/A	56.55	48.07
CVS	CVS Health Corp	Retail-Wholesale	pharmacy & drug store	9.9	22	0.8	114,870	103.07	1.36	99.85	84.87
DHI	D R Horton Inc	Construction	homebuilder	31.9	17	1.1	11,344	30.93	0.81	29.55	25.12
HBI	Hanesbrands Inc	Consumer Discretionary	under garment maker, socks, underwear, t-shirts	15.1	20	2.1	11,941	29.67	1.35	28.65	24.35
NTRS	Northern Trust	Finance	fund admin, asset servicing, banking, wealth management	4.7	18	3.4	16,020	68.80	2.09	66.70	56.70
TSCO	Tractor Supply	Retail-Wholesale	rural lifestyle retail store operator	10.6	30	1.9	11,645	85.74	0.93	83.75	71.19

\* Buy Limits good til cancel, Stop only if closed below Stop Loss

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