Introducing The Brockmann Method: How I Consistently Beat The Index *And So Can You*

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Brockmann Analytics and Trading (BAT) is a broker advisory service firm focused on assisting financial advisors in providing superior returns for their clients.

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About the Author

I have always had a passion for the market. This was evident from a very young age. My Kindergarten report card from Reed Public School in Arlington Virginia reads: *"He is consistent in his actions participation in group projects, leads many projects involving the creation of stores (bakery, drug, food etc.) and the buying and selling of materials."*

By the fourth grade, I had my own insurance company. I provided sickness insurance for my family and the neighbourhood. For a nickel premium I would pay out a quarter if you became sick and you had to spend the day at home and a dime for any days thereafter. I was the richest kid in the neighbourhood until the Altercation.

My sister Barbara got sick at school, and my mother took her to the doctors but returned her to school. That is how I remembered it. She said she stayed home for the day. Time has a way of changing memories, and I am going to say hers, not mine. Anyways, she misunderstood the contract and broke into my treasury to steal my money. After a short scuffle, the government intervened (my father) and closed me down. He had been paying the premiums for most of my clients (siblings) anyway.

My next endeavor was Wilfred's Bank. At the time the banks were required by law to provide a return of 6% on all deposits. My brother Peter had just received $10 for a special occasion, and I suggested he deposit it into my bank, and I would pay him 1%. He asked "what's 1%," I said, "if you had $1,000 I would pay you $10" he looked at the crisp new bill in his little hands and quickly became the next depositor in Wilfred's Bank. It was like the song in Mary Poppins.... *a tuppence... railways to Africa...*

I was playing the interest spread. Shortly afterwards again the heavy hand of the government interceded, and I was forced to refund all deposits and was levied a fine. Something about teaching me a lesson. Sure did. Governments need to stay out of the path of innovative business people. Darn regulators.

Fast forward 15 some years and two university degrees later I was hired on Oct 20, 1980, by Merrill Lynch. Spent some time in New York City working and training and then set up my business in London, Ontario Canada. In January of 1990, Merrill Lynch sold its Canadian retail division to CIBC Wood Gundy, and I went over with the furniture where I stayed until 2015.

Management wanted me to fall into line and just do as I was told. They wanted me to be a gatherer of assets and *just leave the investing up to them"*. Charge the standard fee, call it a day and go home. Their "experts" knew what was good for my clients better than me. This is not what I signed up for in 1980.

I love the markets. I want to help people make money. I love buying and selling stocks. Over the past 35 years, I have studied, developed and proved an investment method, cleverly called the 'Brockmann Method' that is a disciplined approach to investing that has worked for me this past decade and can work for you too.

First Principles

"We are what we repeatedly do. Excellence, then, is not an act but a habit."

Aristotle

If I didn't know any better, I would swear Aristotle was talking about investing. Good investing is not the luck of the draw or a single shot in the dark or acting on a "tip." It is not a onetime event. It is a *repeatable* procedure.

The *Brockmann Method* is, therefore, an investment process but not just any process. It needs two fundamentals - knowledge and discipline - to work profitably.

Knowledge gives investors the confidence to know when to sell and what to buy. Discipline provides the courage to stick to the process when it might seem easier to let it slide.

'Good investing' must be adaptive to a changing environment, because the market is a very changing kind of place, and as you know, very unforgiving. I have learned that together, knowledge and discipline can form a very profitable habit that can be learned and more importantly, reliably repeated.

For many of my clients, this has become the second most profitable habit they learn in their lifetimes, after their profession and job, and it lasts long after the last paycheck has been cashed.

A powerful way to think of the *Brockmann Method* is to think of it as an operating system like the one in every computer. Computer operating systems provide a set of instructions and the rules that tells the machine how to run. Without an operating system, the software cannot run, and owners have no way to get the computer to do what they need or want it to do.

Successful investing works in the same way. Investors have an operating system, a set of rules firmly in mind to work from *before* they can become consistently successful at the investment process.

This is our operating system for investing, and it can be yours too.

The Brockmann Method
- the Knowledge

As investors, most of us have difficulty coping with the rapid-fire stream of data that is presented to us in today's market. It is like trying to drink from a fire hose as it comes at us so voluminous and so fast. It is difficult to think rationally and think through any complex process to make a decision. The problem is managing and processing this information to determine what is important and what is not. In essence, we have decision-input overload.

That's why we need shortcuts and ‘methods' to help us scale back the wide range of investment possibilities to a sufficiently small number that we can actually manage amid the normal day-to-day distractions, trials and tribulations of our busy lives.

There are many styles of investing and approaches to analysis. You may know, have tried or are familiar with some of these - value investing, fundamental analysis, Elliot Wave, Fibonacci retracement numbers, Gann angle & waves, cycles, seasonality, candlestick charts, bar charts, insider actions, astrology-based or a host of other methods that any number of people are willing to embrace. Believe you me; I've attended most if not all of these seminars.

At BAT, we only subscribe to one irrefutable law: Economics 101 - the law of supply and demand. Supply and demand is as valid and basic as it gets. It is a part of everyday life. Why not make it a part of your everyday investing?

When all is said and done, if there are more buyers in a particular stock than there are sellers willing to sell, the price will rise. It doesn’t matter the reason people are buying, it just is and it shows up in the price action. On the other hand, if there are more sellers in a particular security than there are buyers willing to buy, the price will decline. Maybe someone needs the funds for a new house, or someone wants to pay for their daughter's wedding. It doesn't matter why people are selling, it just is.

If buying and selling are equal, the price will remain the same. This is the irrefutable law of supply and demand. The same reasons that cause price fluctuations in produce such as potatoes, apples, and asparagus cause price fluctuations in stocks.

When it comes to stocks, there is one more critical extension of this law. Paraphrasing economics research summarized by professor Tobias Moskowitz[1]. would describe the principal of 'price momentum' as:

"... stocks with prices that have been rising for the past 6-12 months are LIKELY to continue to rise for the next 6-12 months while stocks with prices that have been falling for the past 6-12 months are LIKELY to continue to fall for the next 6-12 months."

Relative Strength is an automated process of comparing one stock relative to the another. We compare the Price Momentum 'strength' of each of the stocks in a universe of stocks 'relative' to each other. This comparison gives us a ranking of where we should or shouldn't put our money.

In around February of 2017, my brother Peter told me he had fired his name-brand professional advisor.

Peter's 401(k) looked like someone had taken a shotgun and had blasted at the markets to ensure every aspect of was covered. It had ETFs representing large cap, small cap, growth style, value style, blended style and bonds. The theme or focus of the account seemed to be 70% in equity ETFs and 30% bond ETFs.

What really pushed Peter over the edge was when Anne (his wife) pointed out the fees he had paid *for poor performance*. He declared that he was going to put his entire account into the S&P 100 ETF (OEF) and not only outperform his broker but also save on the fees.

I said to him: "Why settle for just beating your broker? Why not beat the index?"

He said, "You can do that? You told me that 80% of active managers can't beat the index. How can I do it?"

"With Price Momentum and your *Self-Directed Fund."*

Let's have a look at the S&P 100. This index is made up of the largest 100 companies in America. These are mega-cap companies. It has exposure across all major industry sectors. It holds Apple and Microsoft in the information technology sector. It holds Amazon and Home Depot in the Consumer Discretionary sector. Boeing and General Dynamics in defense. Exxon Mobil and Chevron in energy. All recognizable names.

Without a doubt, it holds the largest and the finest companies in America. The problem is that if you hold the ETF, you hold the entire basket. And what happens if the energy sector is underperforming? It drags the entire basket down. What if the Technology sector is shooting out the lights and

1 .http://business.nasdaq.com/media/ Momentum_Investing_Tobias_J_Moskowitz_PhD_Investments_Wealth_monitor_IMCA_tcm5044.pdf

you still have that energy sector dragging you down? You don't get the total performance you deserve.

So, we rank the stocks of the index from top to bottom and compare each stock to every other stock in the index on a price momentum basis.

Price is the final arbitrator. It doesn't matter what the analyst or the company says. These aspects are already factored into the price of the stock at the moment in time. All that matters is the price momentum and how that stock compares to the other stocks in the index.

It is supply and demand in action.

Consider the process by which the athletes on the US Olympic Track & Field Team are selected. Olympic Trials are held, and athletes compete against one another. The winners of the Olympic Trials are selected to represent the US at the Olympic Games.

Imagine a few different selection methods. A committee of "experts" decide which athletes should be on the team. Or, how about selecting a few losers from the Trails to be on the Team with the logic "they are due for a bounce."

I think you will agree that these are less effective than the Olympic Trial approach

In mid-2013, GT Advanced Technologies (GTAT) was rising in my watch list. I bought the stock for a number of clients. It rose in rankings and price and then had started to underperform in the fall of that year. It went sideways for a while and then met my sell conditions, so I sold it.

In January 2014 it started to perform better and made it back on to my buy list, so I bought through January and into April. It peaked at $19-ish in April and then drifted lower. I started to take some profits in May at the $17 range, and then it dropped quickly to $14.76. I looked at the rankings, and it had given me a sell signal so I quickly called the remaining clients and we sold that day.

Management and compliance were on me like a duck on a June bug. They demanded to see my reasons for the quick turnaround.

Churning is when the broker buys and sells to generate commissions to the benefit of the broker. I showed that the stock had fallen and had given me a sell signal. Of the 23 positions I sold that day, 21 were profitable with the smallest profit being +34%, the highest profit of +84% and two losses of -12% and-18%. Later, I read that the company had secured a $500 million loan from Apple. For a few months that summer, it seemed that I might have over-reacted…

… and then on October 6th, 2014, GTAT filled for bankruptcy.

Did I have inside information? No. Did the analysts get it wrong? Yes. I had at my disposal the same information that every investor had - the price action. It didn't matter what the company said. It didn't matter what the analyst said. It didn't matter what my management said.

Even with a large and stable financier and customer like Apple, the price action wasn't satisfactory. Price Momentum saw this company for what it was: a stock in decline. And, so did I.

Simply stated, the best way to select future winners is to select current winners. This is what price momentum models are designed to do: build a portfolio of the market leaders and hold them only as long as they remain strong, relative to others in the model.

“Price” represents a market’s best guess about what might happen down the road, rightly or wrongly. Price is an informed guess because real people are putting real money on the line.

Price momentum is a handy way to measure what market participants are doing. There’s no guarantee that they will do the same thing tomorrow, but perceptions generally change gradually over time as new information comes to light, or new thinking about old information emerges. Staying with strong price momentum trends and departing when they weaken is the simplest way to stay in synch with the changing flow of information in the market.

So for several decades, academics have been studying price momentum to understand why it works and how it compares to other methods. Some have gone so far as to apply the approach to analyze the stock market of the 19th century!

Others have reasoned that these securities performed better because there is more risk associated with them, but they couldn't find any.

Still, others, based on the work of the Nobel prize-winning work of Daniel Kahneman and Amos Tversky, suggest that people react to new information at different rates and at different times. A trader would act differently to new information than a retail investor and so on.

Today, the root causes of momentum investing continue to be debated. What is clear from the evidence, supported from all sorts of markets, asset classes and time periods is that *price momentum works, and it is not a random event*.

The observation that past winners tend to be future winners, and past losers tend to be future losers, has been verified and established through hundreds of academic white papers on the topic… and my own market experience.

Tom Dorsey[2], a founder of Dorsey Wright & Associates, now a Nasdaq Company, explained:

> *"If I gave you a list of the 100 best golfers worldwide and asked you to pick who you thought would be in the top 10 at the end of the next quarter, who would you pick? My guess is you would pick the current top ten to be in the top three months from now. Even if I asked you to pick the ones who would be in the top ten after one year, you would probably pick the current top ten.*
>
> *At the end of the contest some would have fallen out, and some would have moved up, but the majority would still be in the top ten. This is outperformance. It relates to Newton's Law of motion, which suggests that objects that are in motion tend to stay in motion until an external force acts upon them. So, in my world, this means that stocks that have good fundamentals, in a market that in general is supporting higher prices, and the chart pattern clearly shows that demand is in control of the stock, tend to continue to do well. Golfers who have good fundamentals, are in good shape, and at the top of their game, tend to continue to do well.*
>
> *Buy the winners."*

2 http://business.nasdaq.com/marketinsite/2017/Momentum-Demystified.html

The Brockmann Method
- the discipline

We start with a selected universe of securities. In this case, we use the S&P 100 Index. We then rank each one against the other on a price momentum basis until we have a list of the strongest performers ranked to the weakest. This listing not only gives us the strongest to consider but also the weakest to avoid.

A rank ordering of stocks to invest in, is only partly helpful. To fully empower the self-directed fund, we need a few more boundaries.

The Brockmann Method defines the scope of self-directed control as ten stocks. The top ten stocks are our initial **Buy zone,** and our 'want to own' list. The next 15 are our **Don't Buy More** zone. The remaining 75 are our **Avoid zone**. Position 25 is the **Sell Threshold**.

More than ten stocks can easily overwhelm the retail investor, pushing it beyond the retail investor's ability to digest what's really going on. Warren Buffet says that "Diversification is protection against ignorance." I say that diversification is usually 'de-worse-ification.'

I've also analyzed the Method with both fewer and more stocks and a higher and lower Sell Threshold. These experiments show that this configuration consistently gives the best return over time.

Here are the simple disciplines of the Brockmann Method:

- Buy the stocks in the Buy zone.
- Sell the stocks below the Sell Threshold. Use the proceeds to purchase the stocks in the Buy zone that aren't already owned.

If you come across more money to invest, buy the stocks in the Buy zone you don't already own, or buy more of the top 2 or 3.

If you need to liquidate some of your portfolio, start at selling the lowest ranked stocks until you meet your liquidation goal.

The Brockmann Method - 10-year Back Test

Here is where the rubber meets the road. In our model, we select the top 10 ranked stocks of the S&P 100, and we hold them until they have fallen in rankings below the Sell Threshold and with the proceeds buy the top-ranked stock we do not own.

All Cash Directive

The Brockmann Method also has an '*All Cash Directive*' working in the background should the markets weaken to the point where a correction bigger than we expected is underway, so we need to go to cash. This gives us an exit plan to follow before the event. It is rules-based and therefore systematic, and it works.

The directive reviews the quality of seven different asset classes and compares how they rank against each other: US equities, Canadian equities, International equities, Bonds, Currencies, Commodities and cash. On three occasions since 2007, the All Cash Directive kicked in so the model went all-cash, where we stayed in cash until the analysis shows that we should return to equities.

Table 1 - January 3, 2007, ranking of the S&P 100.

Rank	Name	Symbol	Price
1	MASTERCARD	MA	$96.41
2	GOLDMAN SACHS GROUP INC	GS	$200.72
3	HEWLETT PACKARD CO	HPQ	$41.62
4	APPLE INC	AAPL	$83.80
5	CISCO SYSTEMS INC	CSCO	$27.73
6	ALPHABET Inc.	GOOG	$467.59
7	MCDONALDS CORP	MCD	$43.87
8	MERCK & CO NEW	MRK	$44.02
9	MONSANTO CO	MON	$51.68
10	LOCKHEED MARTIN CORP	LMT	$91.93
11	METLIFE INC	MET	$60.15
12	AT&T INC	T	$34.95
13	MORGAN STANLEY	MS	$81.62
14	ENTERGY CORP NEW	ETR	$92.98
15	NORFOLK SOUTHERN CORP	NSC	$49.23
16	BOEING CO	BA	$89.17
17	EXXON MOBIL CORP	XOM	$74.11
18	WILLIAMS COMPANIES INC	WMB	$25.69

Rank	Name	Symbol	Price
19	RAYTHEON CO	RTN	$52.11
20	COMCAST CP CL A	CMCSA	$42.66
21	ALTRIA GROUP INC	MO	$86.51
22	GENERAL DYNAMICS CORP	GD	$73.95
23	BAXTER INTL INC	BAX	$46.50
24	JP MORGAN CHASE & CO	JPM	$48.07
25	US BANCORP	USB	$36.17
26	THE WALT DISNEY CO	DIS	$34.20
27	AMERICAN ELEC PWR INC	AEP	$42.85
28	ALLSTATE CORP	ALL	$65.28
29	NIKE INC	NKE	$97.67
30	**S&P 100 Index Fund**	**OEF**	**$65.71**
31	EXELON CORP	EXC	$62.43
32	GILEAD SCIENCES INC	GILD	$63.15
33	AMERICAN EXPRESS CO	AXP	$60.36
34	CHEVRON CORP NEW	CVX	$70.97
35	ORACLE CORP	ORCL	$17.51
36	TIME WARNER INC	TWX	$22.03
37	BANK OF AMERICA CORPORATION	BAC	$53.33
38	TARGET CORP	TGT	$57.18
39	BERKSHIRE HATHAWAY CL B	BRK.B	$3,643.00
40	CONOCOPHILLIPS	COP	$68.19
41	AMAZON.COM INC	AMZN	$38.70
42	BANK OF NEW YORK MELLON CORP	BK	$39.69
43	XEROX CORP	XRX	$16.90
44	HJ HEINZ CO	HNZ.	$45.75
45	MICROSOFT CP	MSFT	$29.86
46	HONEYWELL INTERNATIONAL	HON	$45.10
47	COLGATE PALMOLIVE CO	CL	$65.68
48	EMERSON ELEC CO	EMR	$43.86
49	UNION PACIFIC CORP	UNP	$92.48
50	UNITED TECH CORP	UTX	$62.81
51	CITIGROUP INC	C	$55.25
52	OCCIDENTAL PETROLEUM CORP	OXY	$46.72
53	DEVON ENERGY CORP	DVN	$64.86
54	FEDEX CORP	FDX	$109.77
55	PROCTER & GAMBLE CO	PG	$64.54
56	WELLS FARGO & CO	WFC	$35.74
57	E M C CORP MASS	EMC.	$13.20
58	SOUTHERN CO	SO	$36.98
59	MONDELEZ INTERNATIONAL CL A	MDLZ	$35.61
60	UNITEDHEALTH GROUP	UNH	$52.57
61	E I DU PONT DE NEMOURS & CO	DD	$49.04
62	INTERNATIONAL BUSINESS MACHINES	IBM	$97.27
63	VERIZON COMMUNICATIONS INC	VZ	$37.82
64	WEYERHAEUSER CO	WY	$72.50
65	SCHLUMBERGER LTD	SLB	$60.82
66	ABBOTT LABS	ABT	$48.97

Rank	Name	Symbol	Price
67	DELL CP	DELL.	$25.49
68	SPRINT CORP SRS 1	S	$19.04
69	PEPSICO INC	PEP	$62.72
70	HALLIBURTON CO	HAL	$29.87
71	BAKER HUGHES INC	BHI	$71.50
72	GENERAL ELECTRIC CO	GE	$37.97
73	CATERPILLAR INC DEL	CAT	$61.16
74	COSTCO WHOLESALE CP	COST	$52.84
75	BRISTOL MYERS SQUIBB CO	BMY	$26.38
76	ISHARES S&P 100 ETF	OEF	$66.05
77	AVON PRODS INC	AVP	$33.60
78	COCA COLA CO	KO	$48.58
79	JOHNSON & JOHNSON	JNJ	$66.40
80	NATIONAL OILWELL VARCO INC	NOV	$58.24
81	LOWES COMPANIES INC	LOW	$32.04
82	CVS HEALTH CORP	CVS	$30.84
83	MEDTRONIC INC	MDT	$52.57
84	HOME DEPOT INC	HD	$41.07
85	DOW CHEMICAL COMPANY	DOW	$40.27
86	WALGREENS CO	WBA	$46.07
87	INTEL CP	INTC	$20.35
88	FREEPORT MCMORAN INC	FCX	$50.49
89	PFIZER INC	PFE	$26.29
90	3M CO	MMM	$78.26
91	AMGEN INC	AMGN	$68.40
92	APACHE CORP	APA	$64.55
93	CAPITAL ONE FINL CORP	COF	$77.25
94	QUALCOMM INC	QCOM	$37.46
95	UNITED PARCEL SERVICE CL B	UPS	$74.97
96	TEXAS INSTRUMENTS	TXN	$28.56
97	ARCONIC INC	ARNC	$29.33
98	WAL MART STORES INC	WMT	$47.55
99	FORD MTR CO DEL	F	$7.51

If you had settled for the index, it was ranked as number 30. Was the model interested in Ford? No way, not at that time. It was ranked number 99 However, Ford did climb into the Buy zone, so the model bought it on May 5, 2009. It moved from last to number 1.

As part of this backtest, we ran the ranking each day to make sure none of the holdings had slipped to number 26 and sure enough on February 28, 2007, Alphabet (GOOG) slipped 5 notches to # 27 forcing us to sell it the next day and buy the highest ranked stock we did not already own. In this case, it would be Entergy Corp (ETR).

Table 2 - Top 30 ranking of the S&P 100, February 28, 2007. Bolded stocks are owned by the model.

Rank	Name	Symbol	Price
1	**MASTERCARD**	**MA**	**$107.18**
2	**GOLDMAN SACHS GROUP INC**	**GS**	**$201.75**
3	**MONSANTO CO**	**MON**	**$52.71**
4	**LOCKHEED MARTIN CORP**	**LMT**	**$97.26**
5	**HEWLETT PACKARD CO**	**HPQ**	**$39.35**
6	ENTERGY CORP NEW	ETR	$98.75
7	AT&T INC	T	$36.80
8	**MCDONALDS CORP**	**MCD**	**$43.69**
9	METLIFE INC	MET	$63.16
10	**CISCO SYSTEMS INC**	**CSCO**	**$25.94**
11	WEYERHAEUSER CO	WY	$85.91
12	**GENERAL DYNAMICS CORP**	**GD**	**$76.38**
13	BAXTER INTL INC	BAX	$50.01
14	GILEAD SCIENCES INC	GILD	$71.56
15	**APPLE INC**	**AAPL**	**$84.61**
16	MORGAN STANLEY	MS	$74.92
17	**MERCK & CO NEW**	**MRK**	**$44.15**
18	AMERICAN ELEC PWR INC	AEP	$44.90
19	ALTRIA GROUP INC	MO	$84.28
20	RAYTHEON CO	RTN	$53.55
21	NIKE INC	NKE	$104.47
22	EXELON CORP	EXC	$65.93
23	**BOEING CO**	**BA**	**$87.26**
24	JP MORGAN CHASE & CO	JPM	$49.39
25	WILLIAMS COMPANIES INC	WMB	$26.97
26	THE WALT DISNEY CO	DIS	$34.25
27	**ALPHABET Inc.**	**GOOG**	**$449.45**
28	AVON PRODS INC	AVP	$36.66
29	US BANCORP	USB	$35.66
30	EXXON MOBIL CORP	XOM	$71.68

In table 2, you can see how the entire process is dynamic and responsive as things develop in the market. Ford? On this day it was ranked # 70. Still a long ways off from making it into the Buy zone. Note that over past 10 years of the model, Ford is both bought and sold a number of times. When a stock needs to go, it goes. If it starts to perform well again, it comes back in. It has no good or bad memories. They are just numbers

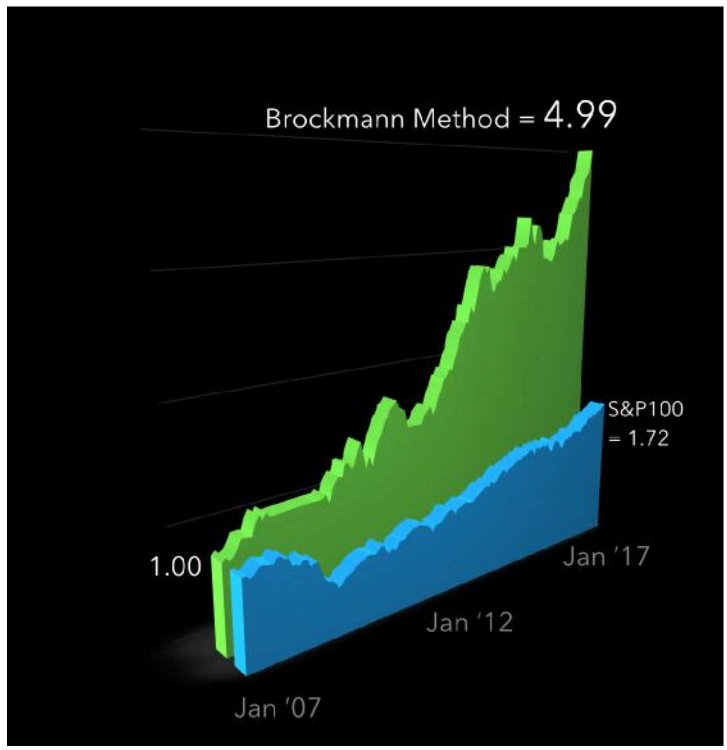
Over the life of the backtest, there was an average of 27 transactions per year. So it might be reasonable to expect an average of one sell and the replacement buy each month. Sometimes there are long stretches of no activity. Like the stretch from December 2, 2016, to June 19, 2017. We just watch as the model grew 16.2% during that time.

Summary of Results

For the ten year test, we beat the index by 2.9 times. $100,000.00 invested on January 3, 2007, using the Brockmann Method would be worth approximately $498,527.63 as of October 27, 2017, before transaction fees.

As shown in table 3, the model beat the index 7 out of 10 years of the past decade. Not every time but definitely over time. Of course, past performance is no guarantee of future success, but in this case, the model performs way better than the index.

Graph 4 - the Brockmann Method versus the S&P 100 index, 2007-2017.



Rules are Rules

Yes, Rules are Rules, and they are meant to be followed. We follow them for a number of reasons. First of all, it takes the guesswork out of making decisions.

You want to be like a robot or a cyborg. You come across a situation, and you know exactly how to deal with it. If A; then you do B. End of story. No second guessing. No should I wait a little longer?

When I was with the firm, I had a lot more time on my hand than my colleagues. I would take the pile of research reports that had accumulated on my desk and go around to the rookies and hand out to them.

They were astonished that I didn't want them and couldn't get their heads around the fact that I didn't read them either. In fact, the last economic or research piece I read was in 2012. It was the monthly piece from the research department that was maybe 6 to 8 pages or so. It had a leadoff article from the head of research then a piece on bonds and interest rates and later on the stock of the month so to speak and a discussion on maybe the strategy or model portfolio they were suggesting that clients follow.

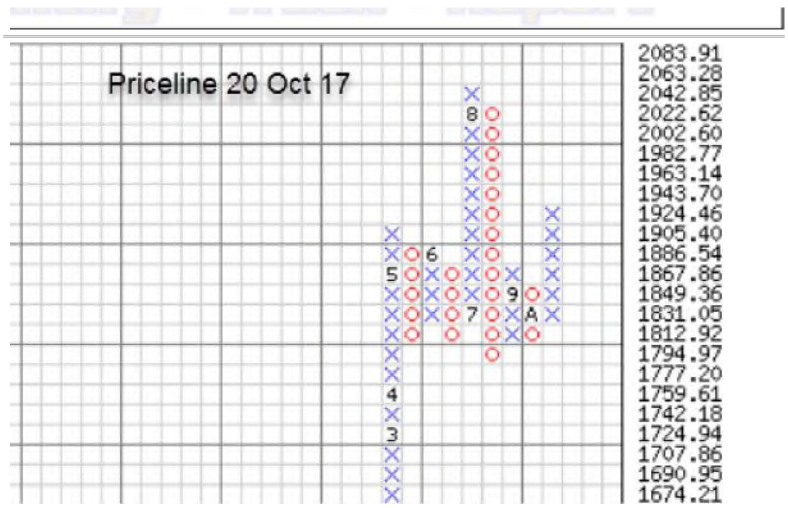
Now this lead-off piece by the head of research was about value investing. In the last paragraph of this research piece, he concluded by saying that the value investor should be willing to wait up to 10 years for value to be realized. Upon reading that I spat out the coffee, I had just sipped. Ten years! Really. Give me a break. I don't know any investor let alone an advisor who would or could wait ten years for something to finally come to fruition.

Value investing is an investment strategy in which the analyst looks at a series of fundamental factors and makes a projection of the value of the stock. With this analysis they determine that the market has mispriced the stock and that when the market realizes it, investors will be rewarded when the stock rises to the level they've just calculated is the 'true' value of the stock.

James Osborne debunked this style best:

"If you want to come to me and say "The intrinsic value of this stock is $45... so it is a buy at $30," my simple question is: why isn't the market willing to pay for those earnings today? Ultimately, intrinsic value is decided by the market. It is an odd bit of dissonance to state that today the market is wrong about a stock's "intrinsic value" but to expect the market to get things "right" sometime in the future."

Then one morning the analyst that covered a particular stock was pounding the table that you had to buy this stock today because tomorrow they are reporting quarterly earnings and they were going to be a blowout. Buy them and buy them now he said. I looked at the chart, and the market was saying it wasn't sure about that. It had drifted lower and was sitting around the $23 area. I called my client and sent him the full report but said I didn't want to buy it. I told him that I thought the analyst was dead wrong. So we sat it out. I did sweat out the earnings call, and he was right; the earning were a blowout, BUT THE STOCK OPENED DOWN 15%.



Graph 5 - Point and Figure chart of Priceline (PCLN) October 20, 2017.

We have just to let the method do its job.

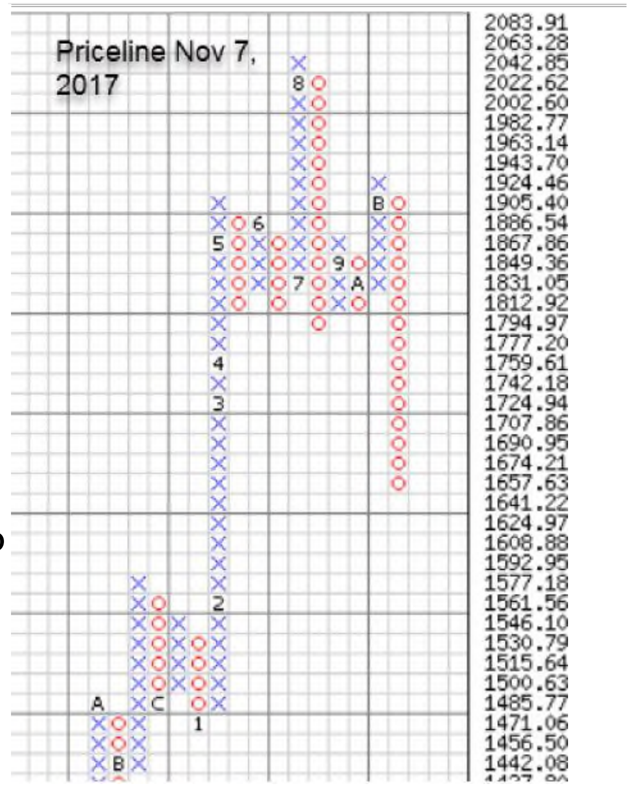
On the evening of Friday, October 20, 2017, I ranked the S&P 100. I noticed that Priceline had fallen from the Don’t Buy More zone past the Sell Threshold.

The Method says that if a stock falls from the Buy or Don't Buy More Zone past the Sell Threshold (position 25), sell it and with the proceeds buy the highest ranked stock you don't already own. Simple. Don’t over think it, just do it.

Now if we have a look at the individual stock itself it doesn't look too bad. It had been on a sharp rise since January of 2017 and had run into resistance in May-June. It bounced around for the summer making a run to new highs in August but slammed into selling pressure. At the beginning of October it looked like it was going to challenge the high in August BUT on a relative basis other stocks were performing better, and it pushed Priceline lower in our rankings so it had to go and something else came in. No emotions, just act.

So I called my brother Peter and told him what had happened and suggested selling it on the open on Monday and with the proceeds buy PayPal and we did. On Monday morning the stock opened at $1950.00. I happened to enter my trade a few minutes later and got a fill at $1954.825.

Graph 6 - Point and Figure chart of Priceline (PCLN) November 7, 2017.



A habit I have gotten into and I suggest you do the same is that once I am finished with the position: It is History. I remove it from my screens, from my watch list. Once I am out, I don't want to nor do I care what it does from there on in. If it ranks in the Buy zone in the future, it gets brought in again. Sort of like the cycle of life.

So we were out of Priceline on October 23, and then after the close on November 6 they reported earnings below consensus estimates and lowered their forward guidance. The next day it dropped like a stone to a low of $1,638.10 and closed at $1,645.72. A drop of over $309 or -15.5% from where we sold it.

Did I have inside information? No. Did I read something that predicted this? No. All I can say is that I sold it because my rules said to sell it and move on and that is what I did.

Does it work every time? No. It works over time.

Conclusion

This is the Brockmann Method.

An approach to price momentum investing that provides simple signals on when to sell and what to buy. It leverages both knowledge and discipline to allow the investor the confidence to make their investing a habit of success.

It certainly works for my clients and me. It can be put to work for you.

You can find the Brockmann Method in an iPhone app called "Beyond ETFs," now available in the Apple App Store.