Brainy's Articles on
Technical Analysis
Tools for ranking stocks

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Introduction

Let's say that we invest (or trade) in shares, and that we have a reasonable stock selection strategy that tends to identify good shares that are worth investing in. However, we currently have too many stocks on our buy list. How do we decide which ones to invest in today, and which ones to leave for a few days?

It would be good if we could somehow rank the stocks in our list, perhaps by share price performance. If we could have the best performing stocks on the top of the list, it might help with the buying decision.

The field of technical analysis includes a couple of tools that can be readily used to rank a list of stocks. Of course, these tools might depend on a good software package to be able to apply them.

The eBook Article **ST-6070, "Ranking stocks by performance"**, provides some introductory discussion on this topic, while this eBook Article (TA-6510) takes a more detailed look at the tools. In addition, the eBook Article **BC-10-410, "Scan sample using BullScript"** explains how to create a BullCharts scan using BullScript code to produce a list of stocks sorted by share price performance.

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Our goal

Our objective here is to take a list of stocks and sort them into order of share price performance, with the best performing stocks on the top of the list. The list of stocks that we will use is intended to be a list of potential buy stocks that we have found using our proven trading strategy (which is not discussed here). That is, we are not planning to use this stock ranking approach to sort all stocks on the market by performance. The stock selection strategy that we have used to arrive at our list might have looked at any of the following approaches (none of which is guaranteed):

- A rising trend;
- A recent breakout;
- A chart indicator that has been over-sold and which is turning up;
- A chart indicator (like Momentum) that is showing bullish divergence;
- etc....

Quantify the performance

Given that we have a short list of stocks (which we might simply refer to as our current *watch list*), how do we quantify the share price performance so that we can compare the performance of one stock to another, and thereby rank all the stocks on the watch list?

For example, if we look at the weekly price chart of AWE in Figure 1 at right, we can see that the simple triangle trend-ruler tool indicates a price change of 46 percent over the 24 weeks indicated. Of course, this measures the price change between two specific points on the price chart. However, if we were to measure the price change between two different points on the chart, the resulting price change percentage might be very different. One tool to overcome this issue is to use a Moving Average of the share price.

Figure 1: AWE weekly price chart.

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