Today is July 3rd, 2025

The Northern Lights Chapter is conducting its quarterly stock study. Our first step, as always, is to examine the Relative Strength (RS) between the S&P 500 (SPY) and its eleven sectors. To do this, you can go to either www.stockcharts.com or www.finviz.com

In the context of stocks, relative strength (RS) is a technique used to compare the performance of one stock or investment to another, usually a benchmark like the S&P 500. It helps identify stocks that are outperforming or underperforming their peers or a specific market index, indicating potential buying or selling opportunities.

One of the benefits of using finviz is that it uses the same market data as BetterInvesting. Go to finviz.com and click on "Groups." The eleven sectors will come up and show you their performance over recent and longer time frames.

One sector that has performed better than the S&P 500 is Technology. Now that we have our sector to study, our second step is to go to www.betterinvesting.org After you log in, you can see the magnifying glass along the right-hand side. It is their icon to Search for Stocks. Click on this icon to bring up BI's stock screener. Since we already know what Sector to focus on, we can look at BI's Predefined Screens and note which companies come up for the Technology Sector in each screen. The screen will show other sectors as well, but we are focusing on just Technology. I mentioned in previous quarterly stock studies about using BI's Filtered List. Another way (and maybe easier) is to click on Export as CSV (comma-separated value) once you populate the Results by clicking on a Predefined Screen. This procedure is repeated for each screen. I combine all six CSV files into one Excel file. Since we are only interested in the Technology Sector at this time, I sort my Excel file by Sector and delete all the other sectors.

Companies do show up on more than one screen. I add a column in my spreadsheet and make a note of how many screens a company appears and then remove the duplicates. Now I sort my list (32 companies) by size. Our third step is to remove any company not growing as we would expect a company of its size to do so. Large-sized companies are expected to grow their sales between 5 to 7% annually; Medium-sized companies, 7 to 12% annually; and Small-sized companies, greater than 12%. Three companies are not meeting our growth expectations. I check both the salesgrowth column and epsgrowth column for expected growth. I also remove those companies with currentpe values over 50. This leaves me with 26 companies to study further.

Our fourth step is to do a quick and dirty SSG on these companies. My main focus is on how straight, up, and parallel the lines are and what the trends are in the Evaluate Management section. Only if these are acceptable do I go forward with the rest of the

SSG. This is the “Barbed Wire Test”. Eight companies passed: ANET, EXLS, FN, MPWR, PCTY, PAYC, MSFT, TSM.

Two of these companies are in the Semiconductor Industry: TSM, MPWR. And two of these companies are in the Software-Application Industry: PAYC, PCTY. Our fifth step in this quarterly stock study is to compare and keep just one in each industry. The Analysts forecast negative long-term EPS growth for MPWR so we keep TSM. The Analyst Consensus Estimates are better for PCTY so we keep it.

Step six is to complete the SSGs on these six companies. Two companies top my completed SSGs: FN and MSFT. FN is a medium-sized company with a current PE of 32.2, while MSFT is a large-sized company with a current PE of 38.8. For this quarterly stock study, the NLC is choosing FN.

Barry