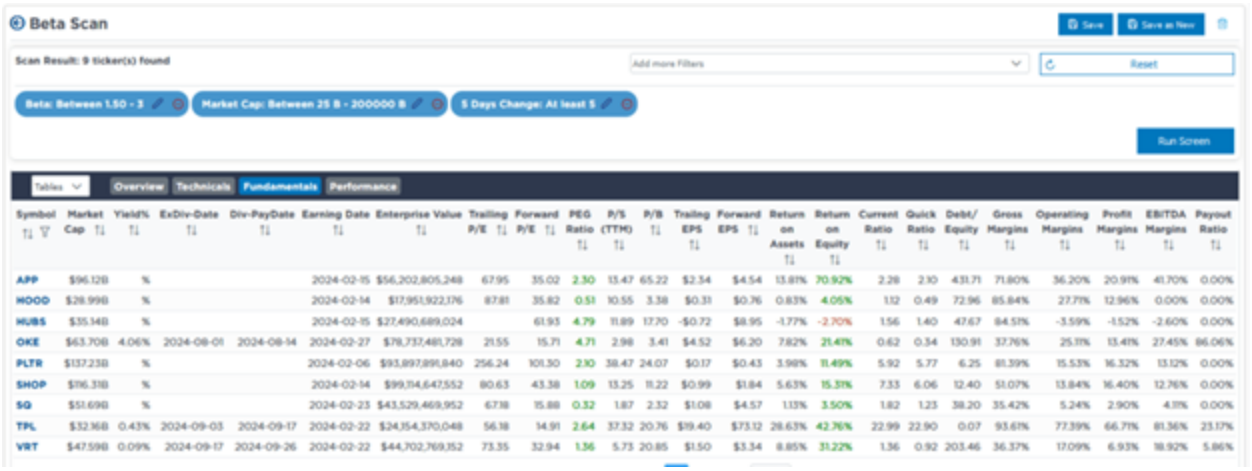
Friday Favorites: High Beta Screen

As noted in Wednesday?s market commentary, investors typically seek Beta heading into year-end. Beta is a measure of volatility relative to the broad market, usually the S&P 500. Given an index change of 1%, a stock with a beta of 1.5 typically moves 1.5%, and a stock with a beta of 0.9 typically moves 0.9%. This year, investors? appetite for Beta is even more significant, given the relief following the decisive election outcome. Wednesday?s commentary included a screen for high-beta stocks:

If investors seek higher beta stocks heading into year-end, it is worth trying to identify some potential winners from such a risk-on trade. To help us in this endeavor, SimpleVisor has a scanning tool that allows subscribers to search for stocks meeting their custom criteria. We created a simple scan to help better appreciate how it might be used in the current environment. The first screenshot below shows our criteria: Beta >1.50, Market Cap > $25 billion, and a previous 5-day return >5%. The scan returned nine stocks. Six of the nine are in the technology sector, two in energy, and one is an industrial company. Also, note they all have impressive month-to-date (MTD) performance.

With investor focus shifting to short-term performance instead of fundamentals lately, we think the timing is right to review the technical picture for three of the screen results. We highlight Block (SQ), Shopify (SHOP), and Vertiv Holdings (VRT) due to their reasonable forward P/E and PEG ratios, as shown below. Their respective betas to the S&P 500 are 2.49, 2.36, and 1.59.



Technical

SQ ? Block recently broke out of a rising channel that formed over the last three months. Its RSI is slightly overbought, and its MACD is elevated, yet it shows no signs of turning over to a sell signal. However, the stock appears to be experiencing selling pressure at the highs from April of this year.

Turning to the weekly chart below, we see that the stock is bumping up against longstanding resistance. The weekly RSI is at its highest point since early 2021 but MACD is still relatively low. Likely, the stock will pull back to test support at the top of the trading channel, as shown in the first chart, at nearly $81. If support holds, the stock may run into year-end to once again challenge the

long-term resistance line shown in the second chart. If SQ breaks out above $90, the next clear point of resistance doesn?t come until around $145. Given the low level of the weekly MACD, that level isn?t unattainable over the next few months.





SHOP ? The technical situation facing SHOP is like that of SQ. SHOP has recently broken above a resistance line on the daily chart. Its MACD is elevated but not showing signs of turning over; however, its RSI is significantly overbought in the short term. Given the large gap higher this week, the stock will likely pull back to test support at the previous resistance as it works off the overbought RSI condition.

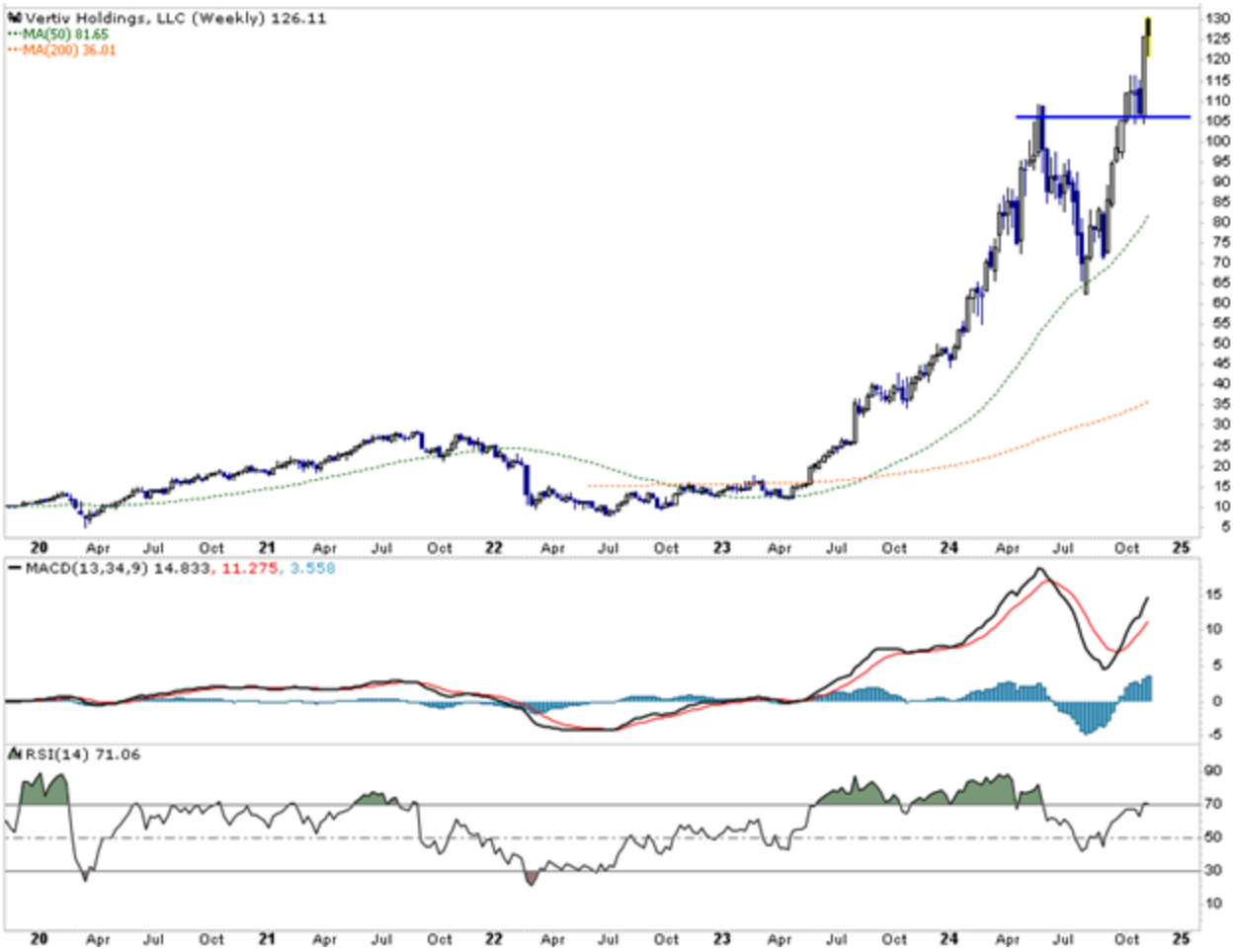
SHOP?s weekly chart supports that thesis. The stock is bumping up against long-term resistance on a weekly basis, and RSI has been the highest since late 2020. Nonetheless, its weekly MACD isn?t too elevated. The stock will likely pull back to around $92 to establish support at the previous resistance level. Assuming it establishes support there, it will likely make another run to test resistance near $120.


Shopify, Inc. (Daily) 113.02
MA(50) 80.33
MA(200) 72.51
MACD(12,26,9) 5.443, 2.263, 3.180
RSI(14) 88.72
Dec 2024 Feb Mar Apr May Jun Jul Aug Sep Oct Nov


Shopify, Inc. (Weekly) 112.99
MA(50) 74.02
MA(200) 78.07
MACD(13,34,9) 7.597, 4.079, 3.518
RSI(14) 76.60
20 Apr Jul Oct 21 Apr Jul Oct 22 Apr Jul Oct 23 Apr Jul Oct 24 Apr Jul Oct 25

VRT ? Vertiv is testing resistance forming through its rally over the past three months. There isn?t much to hold onto from a technical perspective, but a concerning aspect is the divergence between the stock price and RSI. Over the past month, the stock has reached a higher high, but RSI has been forming a lower high. The same has been occurring for the weekly chart over the past six months. This could be a sign that buyers are reaching a point of exhaustion and a pullback is in store. Its MACD has yet to turn over in the daily chart, but it?s showing signs of weakening. If that is the case, we would look for the stock to establish support near $105-$110, corresponding to the peak in May this year.





Disclosure

This report is not a recommendation to buy or sell the named securities. We intend to elicit ideas about stocks meeting specific criteria and investment themes. Please read our disclosures carefully and do your own research before investing.