Tom Mullooly: In this episode, we talk about investments that are stronger for longer.

Welcome to the Mullooly Asset Show, I'm your host Tom Mullooly, this is episode number 26. We had a big debate about who to talk about in episode 26, we finally landed on Dave Kingman, King Kong, only because he wore the uniform twice. I think he probably struck out more as a MET than all the other people who wore number 26 combined. What we do in these videos, is we get questions from our clients, we get questions from our viewers, and then we talk about them. Hopefully, if you've got a topic, get in touch with us and you may find it on a video real soon.

In this format, Casey's going to read us the question, and then I'm going to try my best to answer it. What's on tap today?

Casey: This question came in from Brian. I've been following you on Facebook and YouTube for awhile now, and I have a quick question about relative strength. When viewing a relative strength chart for a single stock to an index, is there a standard percentage box size that should be used?

Tom Mullooly: Kind of a technical question, but the answer isn't quite that technical. With relative strength, we use a 6.5% box chart. That sounds like a really technical answer, but let me explain what that means. 6.5%, if something moves against a yard stick by 6.5%, that's a big move. We measure not only columns of X's or columns of O's, but we also measure signals, bi-signal versus a cell signal. We've got videos on our website that you can see, real short ones, 30 seconds, a minute that cover these type of things.

What we're really looking for, is if you are measuring a stock versus say the S,P 500, what you want to find are stocks that are not only going up faster, that means they're in a column of X's when you measure it against the S,P. But, there also on a bi-signal. We want to find investments that are going up stronger for longer, because these relative strengths signals according to our friends at Dorsey Wright, these signals tend to last on average about 18 months to two years.

The first example I can think of that comes to mind is, in 2003, crude oil gave a relative strength bi-signal. From 2003 until it gave a relative strength cell signal in 2008, went up quite a bit. However, there were times when even though it was on a relative strength bi-signal versus a lot of other different investments, it was down. It was down 10%, it was down 15%, but it was still going up faster on a long term perspective than other investments. That's really what you're looking for.

Unfortunately, if you want to do well, in my opinion over the long-haul, you really need to spend some time learning relative strength or focusing your investments on a relative strength basis. Try to stick with these things that are on relative strength bi-signals, they tend to do very well for long periods of time. But, in short term, you're going to find that sometimes you might be lagging the market for two months, for three months, for short periods of time. You want to stick with those names that are on relative strength bi-signals, because they're going to be stronger for longer.

That was a great question, thanks for writing in with that one today. If you've got a question that's been bugging you, that you want to talk about, whether it's about investing, about charting, financial planning, about any kind of money management, personal finance, get in touch with us. Don't forget to subscribe if you're watching this on YouTube, you can hit that red subscribe button or find us on Facebook too. Thanks for watching. Next episode, number 27, we're going to be talking about old swanee. See you then.