

Finding Stocks with the Piotroski Price-to-Book Screen

This week's AAI **Weekly Digest** highlights these “must-read” AAI articles:



Rules for Drawing and Analyzing Trendlines

Trendlines can offer insights even though they have an artistic element to them. Using bar and line charts can help in their analysis. However, unlike other market gauges that have “overbought” and “oversold” parameters to assist investors in determining a course of investment action, trendlines usually aren't as straightforward. This article offers some rules to follow when drawing trendlines to improve their usefulness.

Piotroski Price-to-Book Screen

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Joseph Piotroski, an accounting professor, set out to see if it was possible to use simple financial

criteria to separate the winners from the losers among the universe of deep-value stocks. Piotroski noted strong evidence supporting the use of value multiples such as the price-to-book-value (P/B) ratio to build portfolios that outperform the market, but not all deep-value stocks turn out to be winners. Most academic researchers construct large portfolios that end up beating the market by holding a few big winners that overcome also holding many underperforming stocks. Piotroski's F-Score uses nine criteria based on profitability, capital structure and operating efficiency.



The Standardized Unexpected Earnings (SUE) Score

Earnings surprises occur whenever a company reports actual earnings that differ from the consensus estimate. To say that a company missed or exceeded their consensus estimate for the quarter does not necessarily capture the true significance of such an event. One way to measure the magnitude or significance of earnings surprises is with the standardized unexpected earnings (SUE) score. SUE measures the earnings surprise in terms of its number of standard deviations above or below the consensus earnings estimate.

Driehaus Screen for Growth and Momentum Stocks



Momentum investors seek rapidly growing companies with prices to match. Their hope is that continued growth will attract additional investors who will continue to drive up the stock price. That investment philosophy, centered on earnings growth, underlies the approach used by Richard Driehaus, who was named to the Barron's All-Century Team of All-Stars in 2000. Driehaus' approach looks for companies with strong and accelerating earnings growth. The belief is that earnings growth is the primary driver of stock prices, as sustained earnings growth allows a company to increase cash flows and dividends. This article outlines Driehaus' momentum strategy.

Our Member Question for this week is:

Does the decision by MSCI to include the shares of Chinese companies in its emerging market benchmark make you more or less likely to invest in a fund that tracks the index?

[Vote Now »](#)

Vote to answer this week's Special Question:

What do you believe are the biggest benefits and risks of investing in Chinese companies?

Last Week's Results:

Have you named a trustee to carry out the provisions of your estate plan?

Yes : 70%

I do not have an estate plan : 12%

Not yet, but I intend to : 9%

No : 9%

Poll results are as of 9 a.m. (Central) on Monday. 1,536 respondents.



Vast Majority of Readers Have Named an Estate Trustee Who is Also a Relative

The decision to name a trustee is a complex process that includes weighing and balancing the

various factors according to personal preferences and circumstances. A trustee is a person or institution named in a trust agreement to carry out the objectives and follow the terms of the trust. A trustee can be a non-professional individual, a professional individual (such as an attorney, an accountant or an investment adviser), or a corporate fiduciary (such as a bank or corporate advisory firm). We were interested to see whether our readers have chosen a trustee to oversee their estate so we asked whether they have named a trustee. In addition, we wanted to know how they went about choosing a trustee if they have already named one.



[AAll Technical Analysis Library](#)

Technical analysis studies the supply and demand in a market in the attempt to determine the future direction or trend. Technical analysts use charts and other tools to identify patterns that may suggest future activity. AAll has compiled some of its best articles on the subject of technical analysis on one location. This collection of articles covers well-known charting techniques as well as popular technical indicators.

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