

Candlestick Forum

Long Term Stock Picks Newsletter

March, 2015

Current Market Outlook:

After a strong run in February, the markets are looking a little “toppy” short term. Remain bullish overall, but be very nimble with any new buying.

Current Market Commentary:

The markets turned on a dime in February and stormed back to the upside with nary a dip of any size along the way. That’s not too surprising, and in fact, I expected upside action in February based on historical norms. As I stated in last month’s newsletter, January is not known as one of the strongest months for the markets historically. But things usually get going again in February.

And as if right on cue, that’s exactly what happened.

Perhaps this historical stock market action has become more well-known, since investors placed a net \$12.31 billion of new cash into stock mutual funds in January, looking past the falling markets at the time. This halted two straight months of net outflow, including December’s sizable \$23.95 billion. According to the Investment Company Institute, this was the strongest net inflow since February 2014’s \$19 billion.

There was some extremely bullish action in individual stocks as well. A few companies (two of which were recommended in last month’s newsletter as Stocks to Watch: **AVGO** and **AKRX**) blew away earnings and sales estimates, with big-time gap breakouts on huge volume showing up in their charts as a result. These stocks include chip designer **Avago**

Technologies (NASDAQ: AVGO), customer management software maker **Salesforce.com (NYSE: CRM)**, **Universal Insurance (NYSE: UVE)**, generic and branded drug maker **Akorn (NASDAQ: AKRX)**, and computer networking components maker **QLogic (NASDAQ: QLGC)**.

I have also not seen signs of a lot of institutional selling lately, always a good sign. I still think the markets need a rest – either right here or before too long. Let's take a look at the general market charts and you'll see what I mean.

Major Index Chart Analysis:

Dow Jones Industrial Average

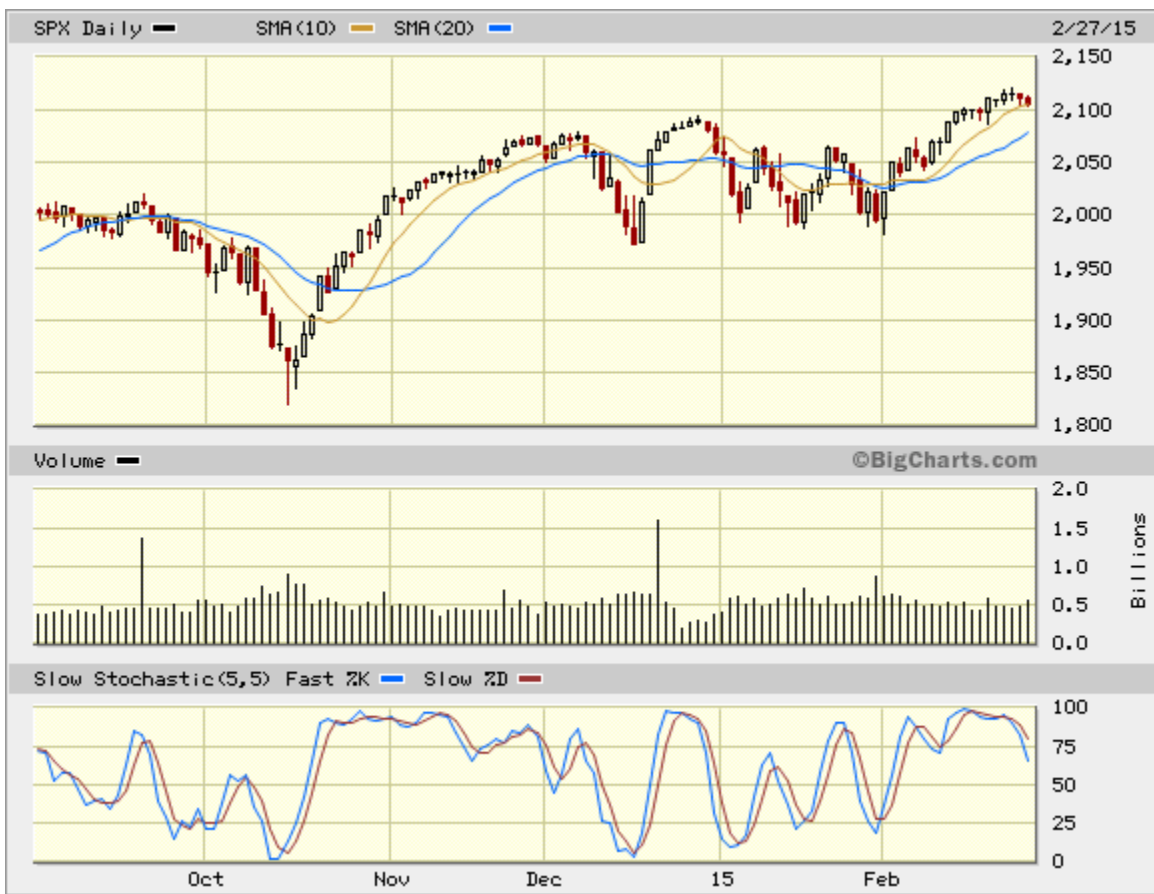


As you can see in the chart, February's upward action kicked off on Day One with a Bullish Harami reversal signal, and the price action never

looked back after that. I really like the tight price ranges recently on low volume – that can simply mean some consolidation at these new all-time high levels. But notice the stochastics – scraping the ceiling and angling to the downside. Still, the price action is riding the 10-day uptrending moving average, another good sign.

I wouldn't be surprised at all if the market either trended sideways for a bit to let the stochastics cool off a little. But overall, I expect the market to be strong through the end of April at least.

S&P 500



The S&P 500 chart looks very similar to the DJIA's, except the stochastics are angling down even sharper.

NASDAQ



Remember back in 2000 when the Nas skyrocketed into a climax run to 5000? Well, it only took 15 years, but we are finally back in that rarefied area again!

The Nasdaq chart shows an index perhaps even more overbought short-term than its DJIA and SPX Big Brothers. Notice the larger disparity between its 10-day and 20-day moving averages. Sooner or later those averages will converge, maybe in the 4900 area. Or, we could be in the continuation of the massive bull market that's been with us for years now.

Either way, this index also looks overbought short-term, with stochastics nowhere to go but sideways or down at this point.

OK, let's look at some nice stock charts...

Favorite Long-Term Stock Pick of the Month:

Fleetmatics Group PLC (NASDAQ:FLTX)

About the Company:

Fleetmatics Group PLC (FLTX) – Ireland-based developer of web-based and mobile fleet management software for small and medium-sized businesses.

According to Yahoo Finance:

Fleetmatics Group PLC provides software-as-a-service fleet management solutions for small and medium-sized businesses worldwide.

The company offers web-based and mobile application solutions that provide fleet operators with visibility into vehicle location, fuel usage, speed and mileage, and other insights into their mobile workforce under the FleetMatics or SageQuest names. It serves owners and managers in the service and distribution industries that operate fleets of commercial vehicles.

The company was founded in 2004 and is based in Tallaght, Ireland.

Why We Like It:

Fleetmatics reported extremely bullish results last week. Q4 earnings skyrocketed 91% and sales came in at a robust 28% improvement. According to Investor's Business Daily, that was the company's strongest earnings growth since Q2 2013. Next quarter EPS estimates show +53%.

The company is growing at an annual EPS rate of 68% with a PE ratio of 38, so you have GARP as well (Growth At A Reasonable Price).

With a strong ROE of 20% (Return on Equity – anything above 17% is considered world class in some circles) and low debt at 12%, FLTX looks extremely promising as a long-term investment.

The stock is coming back a bit after the mega-volume pop on the earnings

news last week, so I think it can be bought right here – between \$40 and \$42, with a sell stop around the recent basing area at \$38.

Stock Data

52-Week Range	25.43 - 43.33
Price % Chg. YTD	16.12%
Price % Chg. Last 4 Weeks	9.81%
50-Day Avg. Volume	371,200
Shares Outstanding	37.7 Mil
Float	37.0 Mil
IPO Date	10/05/2012
Investment Bank	Barclays Capital
% Mgmt Owns	1.8%
PE Ratio	37
Dividend Yield	NONE
Alpha	0.02
Beta	1.14

Company Fundamentals

EPS Due Date	4/28/2015
EPS % Chg (Last Qtr)	91%
3 Year EPS Growth Rate	68%
EPS Est % Chg (Current Yr)	18%
Annual ROE	18.59%
Sales % Chg (Last Qtr)	28%
3-Year Sales Growth Rate	37%
Debt %	12%
Market Cap	\$1.56 Bil
Profit Margin	22.8%
Sector	Software

Chart Analysis:

FLTX – Six Months Daily



As you can see, FLTX's chart is showing the nice high-volume base breakout of last week plus a couple days of pullback. The long-tailed Spinning Top and Doji of the past two days are signs of a little indecision after the big pop, which is normal. I expect the upside action to resume shortly.

Stochastics are nice – angling up from the midrange area with some room to run to the upside. Bottom line, FLTX looks like a solid candidate for the medium to longer term.

Stocks on the Watch List:

There are a few high-momentum stocks I've spotted lately that have decent to great fundamentals as well. Let's take a look at three of those now...

Universal Insurance Holdings (NYSE: UVE)



Universal Insurance Holdings (UVE) – Offers property and casualty insurance products, including wind risk coverage, to homeowners - primarily in Florida.

UVE hit an all-time high last week as the stock exploded out of a month-long basing area on monster volume for the stock. The company sports a 3-year annual EPS growth rate of a solid 84%, with the P/E ratio of only 12! Last quarter earnings are up 34% and last quarter sales are up 35%. Nice! And the ROE is an outstanding 38.87%.

UVE looks like a good long-term hold candidate.

Luxoft Holdings Inc. Class A (NASDAQ:LXFT)



Luxoft Holdings Inc. Class A (LXFT) – Develops custom software for organizations in the financial, travel, technology, telecom, auto and energy industries.

LXFT exploded out of a 3-month long basing area in February, skyrocketing from the \$38 area to the \$50 area. As such, it's short-term overbought, so I would let it come back a few bucks before taking the plunge. See if you can buy in at the \$47 area if possible.

With last quarter earnings coming in at +50%, next quarter's estimates at +28%, and last quarter sales at +32%, with a humongous ROE of 46%, LXFT looks like a solid choice on any pullback.

Qorvo Inc. (NASDAQ: QRVO)



Qorvo Inc (QRVO) – Manufactures RF integrated circuits used in mobile devices, base stations, wireless networks and metering devices.

You won't see too many recent IPOs in this newsletter, but this stock just looks too compelling not to at least let you know about it.

The company is growing at an astonishing 278% a year (annual EPS growth rate), and is currently showing a P/E ratio of a mere 17! So to say this is a sound GARP candidate could be the understatement of the year.

Recent earnings and sales are also extremely solid, with last quarter EPS up 186%, prior quarter's up 152%, and last quarter sales up 38%. Its ROE is a respectable 20%.

All investors dream of getting into the next Microsoft, Cisco Systems, Google, etc. in its infant phase before it skyrockets 48,000% over the next decade.

QRVO looks like a good candidate for that type of performance. No promises of course.