

Advanced CAN SLIM™
IBD Meet-Up Training Series
Module-2

Mike Scott

Module-1, Introduction to CANSLIM™

Market Generalities

CANSLIM™ defined

Preferred stocks to buy

Cup and Handle Base

Double Bottom Base

Module-2, More Bases

Ascending Base

Flat Base

High-Tight Flag

Cup without handle Base

Base on Base

Base stage counting

Module-4, Portfolio Management

Buy rules

Managing the portfolio

Market Tops and Bottoms

Module-5, When the run-up is over

More on Faulty Bases

Topping Patterns

Sell Rules

Module-6

Investor psychology

Short Selling

Tools and Routines

New Module 3

Alternate Buy Points

3-Weeks Tight

Pocket Pivot

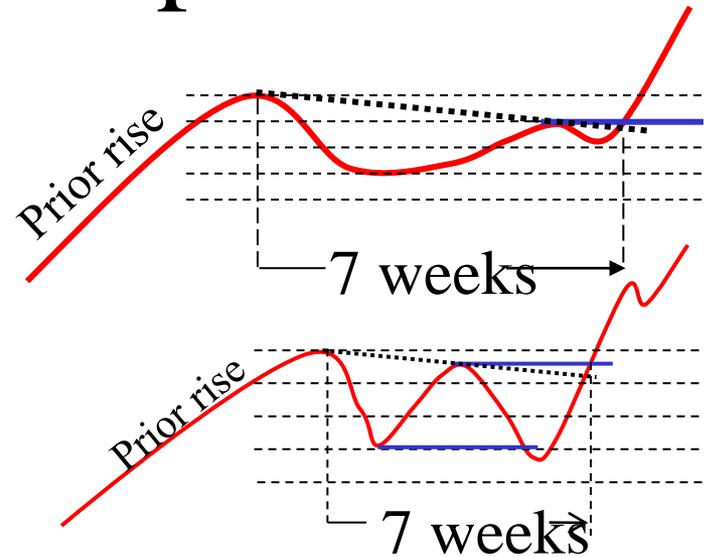
12-of-15 up

MA bounce

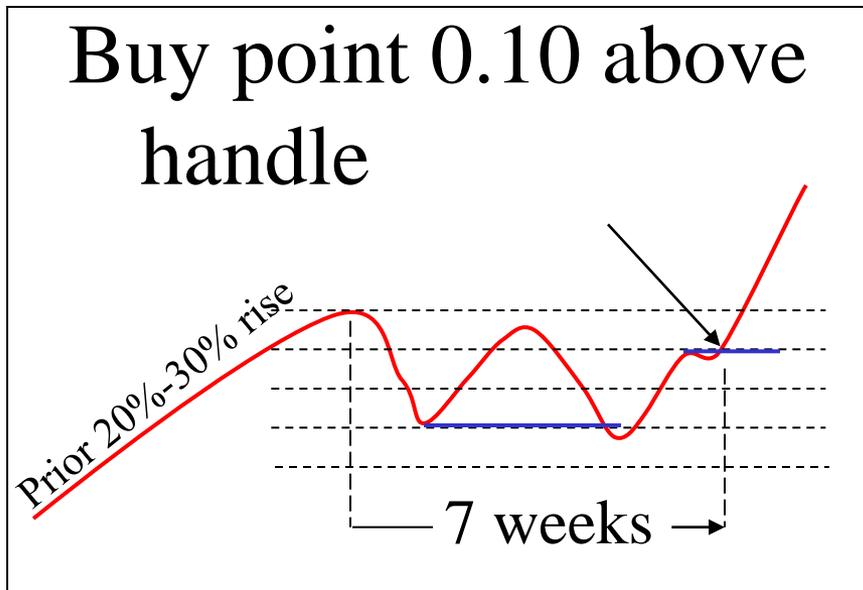
Short Stroke

Module-1 Recap

- CANSLIM
- Cup with handle
- Double Bottom
- Analyze bases on weekly charts
- First week of all bases is the first *down* week in the pattern
- Maximum correction 30% (50% bear market)



Double Bottom with Handle



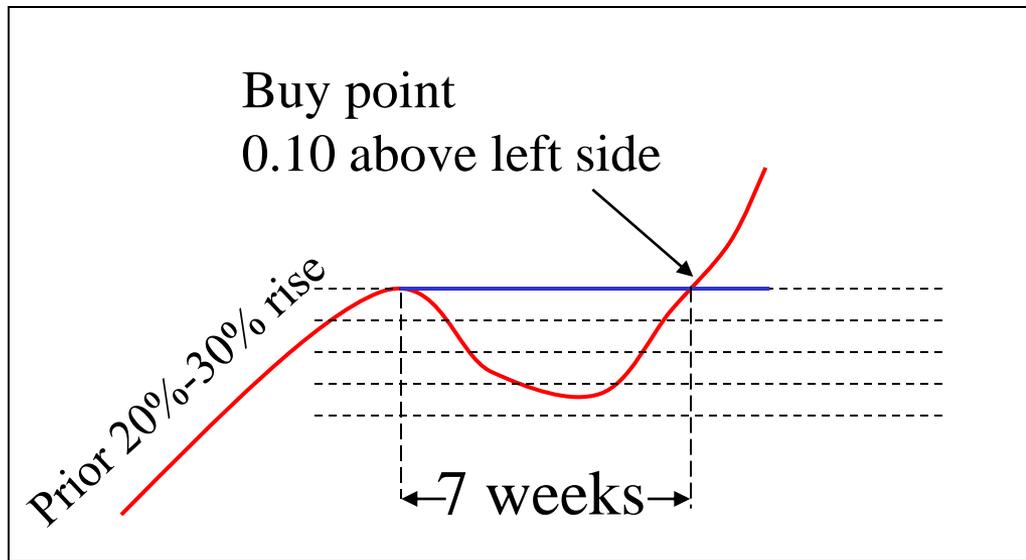
This is a variant of the double bottom pattern discussed last month

Midpoint of handle
Should be above
Midpoint of base

Pivot should be within
15% of previous high

Volume should dry up
in handle

Cup without Handle Base



- Tend to be early stage bases of small and mid-cap stocks with dramatic earnings increases
- Slightly less success than cup with handle patterns, 50% succeed vs. 70% for C&H bases
- Most of these work in an emerging bull market
- Beware of no-handle cups late in an advance

Option On CB/AM/PA/PH
Short Interest 2.1 days - 19%



Market Capitalization \$1.34 Billion
Shares in Float 20.0 Million
Shares Outstanding 27.4 Million

50-Day Avg Volume 617,200
Off 52-Week High -9.8%
52-Week Hi-Lo \$54.30-\$21.65

HEADQUARTERS: CHINA, _ PHONE:

www.chinameditech.com

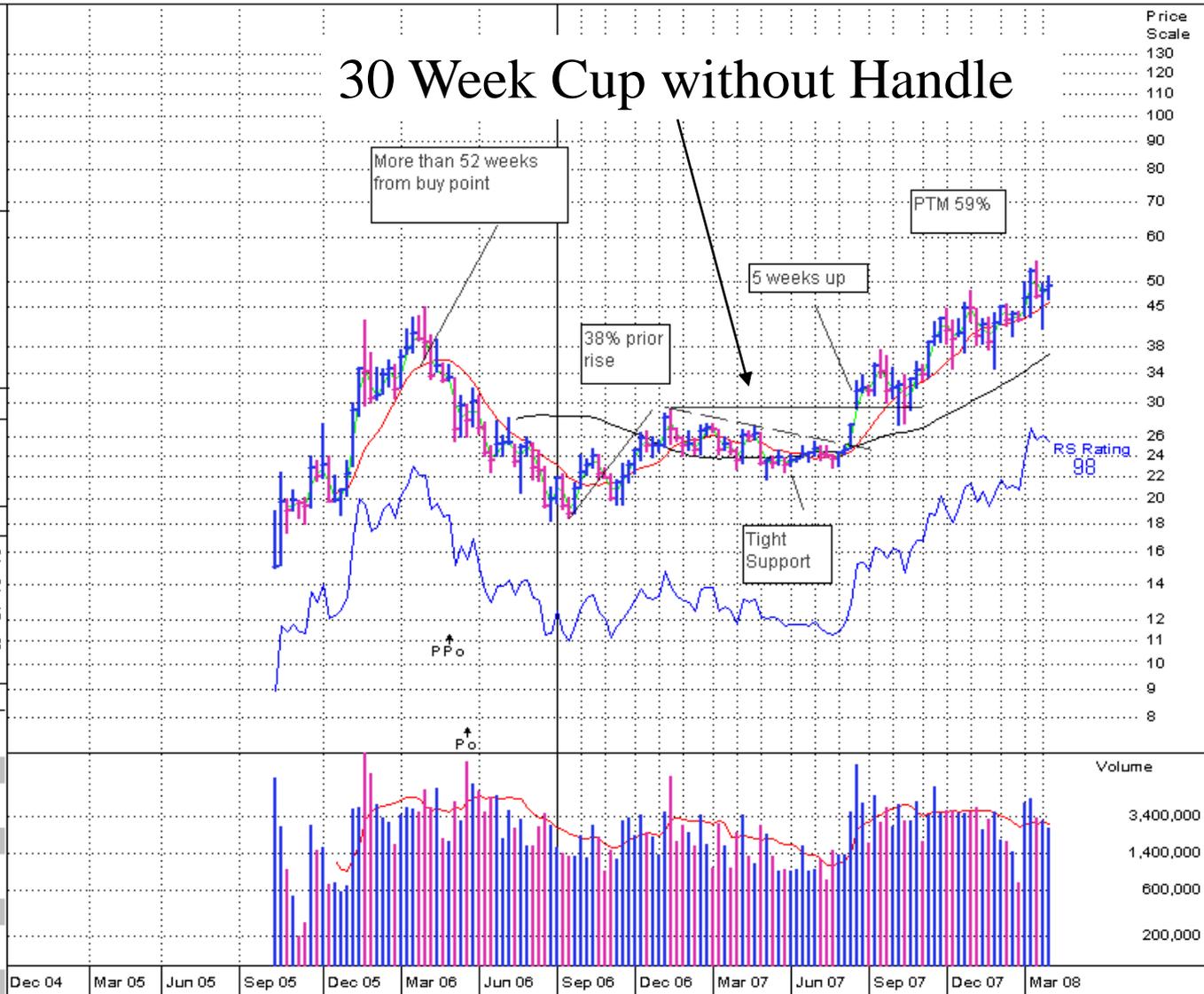
CHINESE DEVELOPER OF HIGH INTENSITY FOCUSED ULTRASOUND PRODUCTS TO TREAT SOLID CANCERS AND BENIGN TUMORS.
11/26/07 To acquire the entire equity interest in Beijing Bio-Ekon Biotechnology for \$28.8 mil in cash.

IPO 8/10/2005

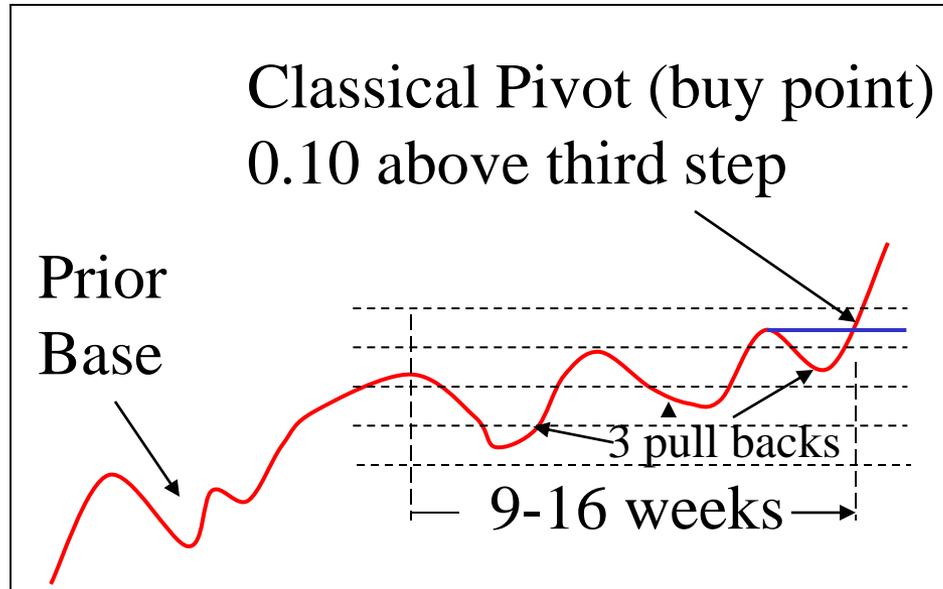
Year	EPS	Price (\$)	EPS Rating	98
(Mar)	(\$)	High Low	Group RS Rating	97
2001	0.08		SMR Rating	A
2002	0.09		Acc/Dis Rating	C+
2003	0.12		Composite Rating	99
2004	0.27		Timeliness Rating	A
2005	0.52	42 14	Sponsorship Rating	A
2006	0.87	44 18	EPS Growth Rate	88%
2007	1.39	48 21	Earnings Stability	25
2008	1.52	est. 9%▲	P/E Ratio	29 (1.9 X SP)
2009	2.09	est. 37%▲	5-Year P/E Range	15-56
Yield	0.8%		Return on Equity	24%
ExDiv	7/16/07		Cash Flow	\$1.54
Book Value	X8.05		Debt	96%
Inventory T/O	28.79X		R & D	5.8%
U/D Vol Ratio	1.4		Alpha	0.32
New CEO	N/A		Beta	1.01
Ownership			Mgmt	27%
Banks	6%		Funds	15%
Top RS in Grp	Symbol	RS	EPS Rtg	No. of Funds
IntSurg	ISRG	99	99	Mar-07 12
Cepheid	CPHD	99	37	Jun-07 12
VentanaMd	VMSI	98	75	Sep-07 15
Visicu	EICU	98	57	Dec-07 18
Illumina	ILMN	98	32	

Quarterly	EPS(\$)	% Chg	Sales(\$Mil)	% Chg
Dec-05	0.26	+44%	13.7	+66%
Mar-06	0.29	+71%	13.9	+55%
Jun-06	0.23	+77%	11.4	+53%
Sep-06	0.35	+84%	16.7	+53%
Dec-06	0.41	+58%	20.7	+51%
Mar-07	0.40	+38%	21.1	+52%
Jun-07	0.34	+48%	19.9	+75%
Sep-07	0.50	+43%	28.6	+72%

30 Week Cup without Handle



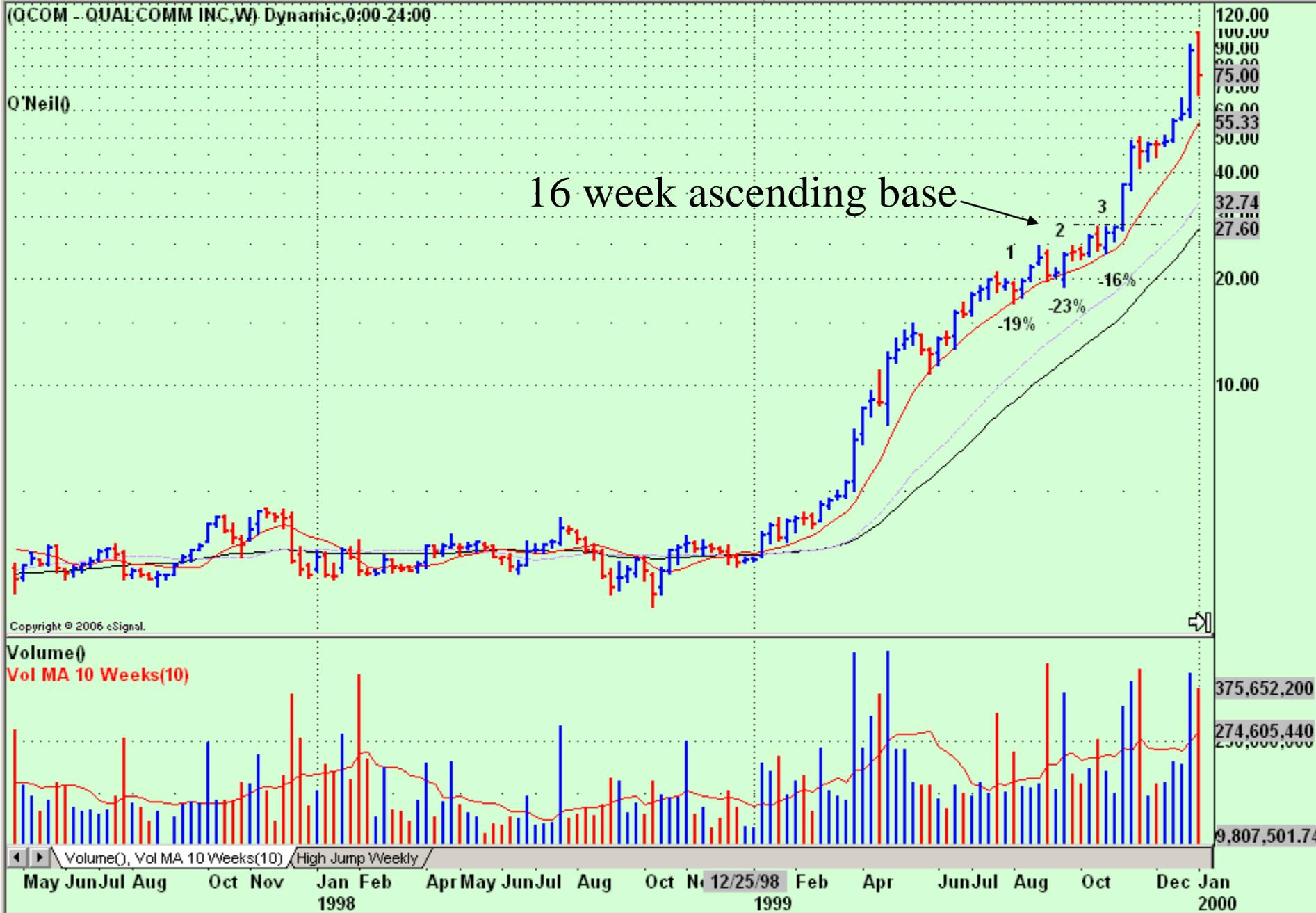
Ascending Base



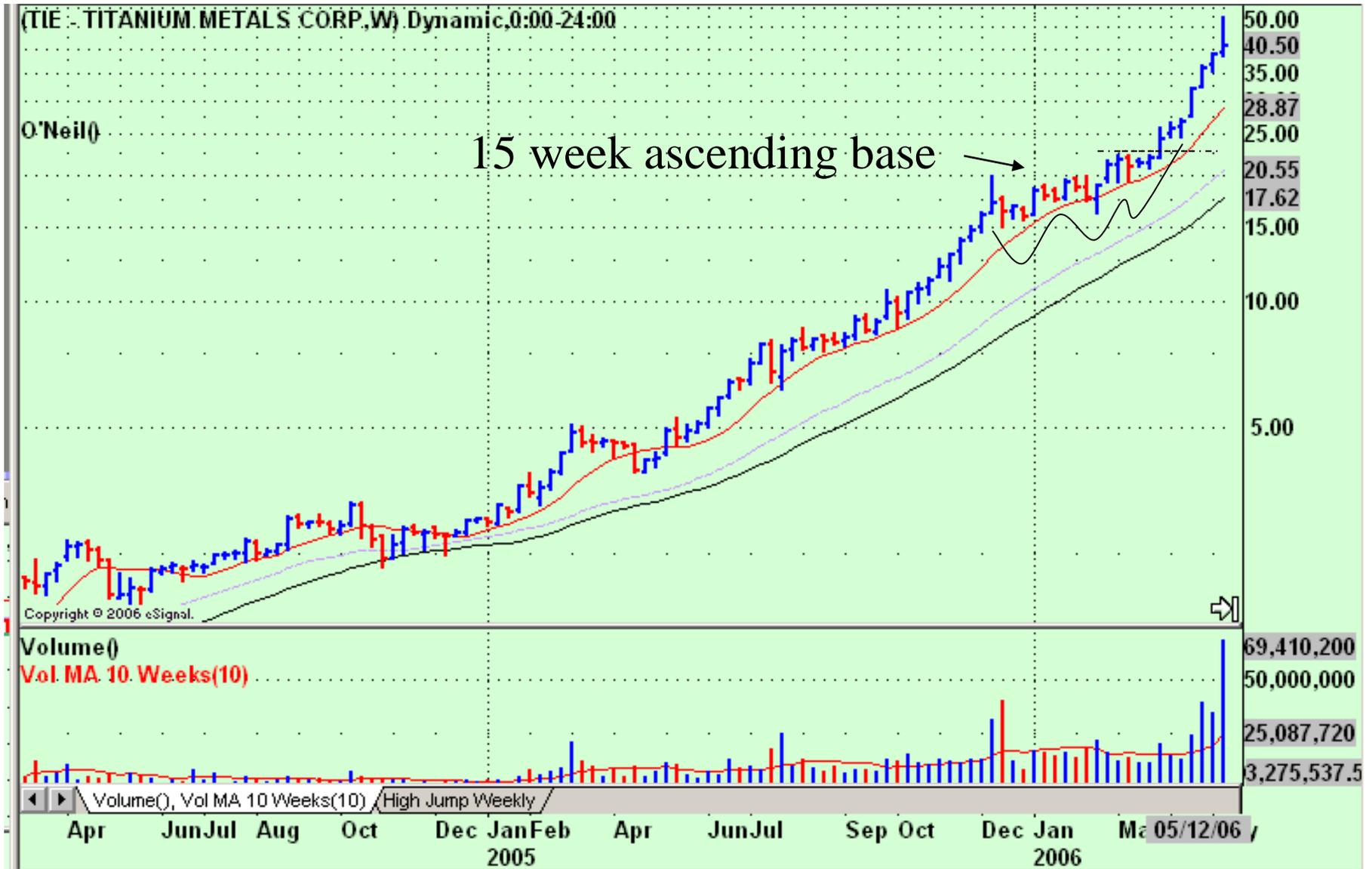
Almost always formed
by short term general
market sell off

- Secondary base that forms after a double bottom or cup with handle base
- Three pullbacks of “about” 10%-20% in price
- Successively higher lows and higher highs
- 9 to 16 weeks in duration

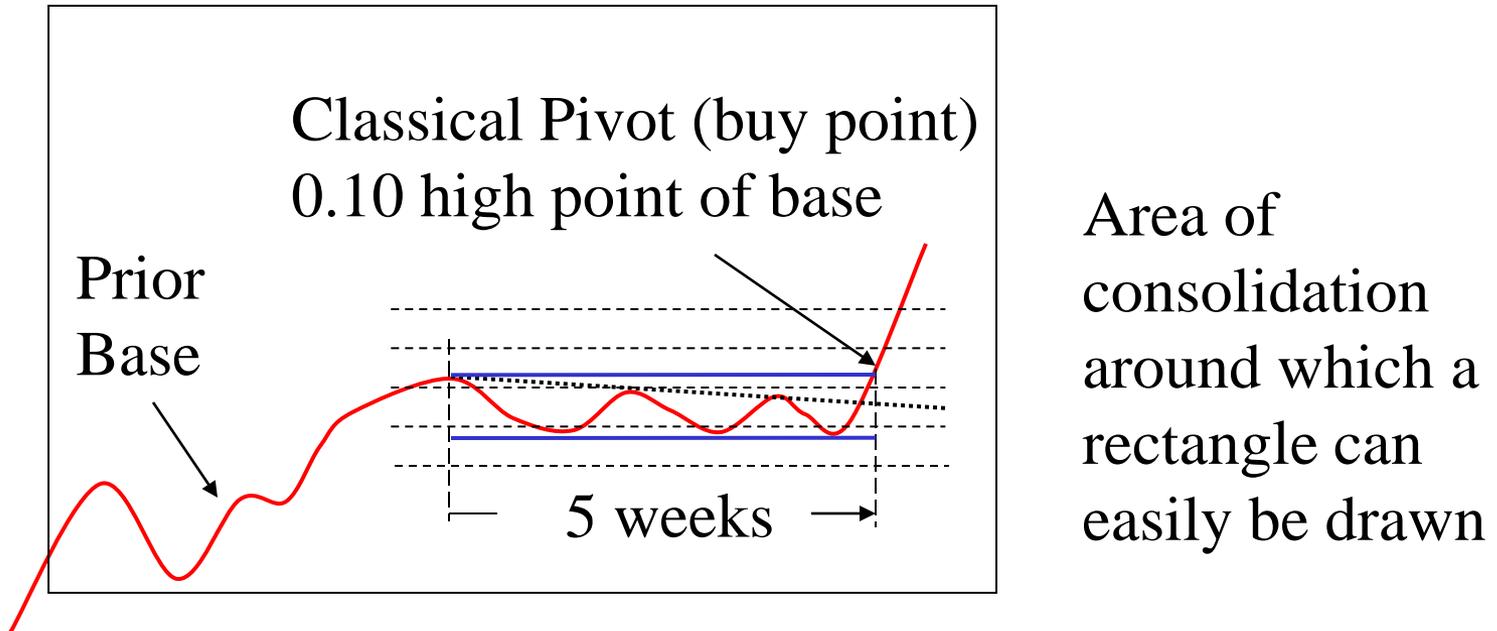
QCOM Ascending Base



TIE Ascending Base



Flat Base



- Secondary base, usually forms after a prior base
- Sideways movement with maximum of 15% correction
- Volume should dry up at least slightly

Option On CB/AM/PA/PH
Short Interest 2.2 days + 4%

AKS

Market Capitalization \$5.34 Billion
Shares in Float 109.3 Million
Shares Outstanding 111.5 Million

50-Day Avg Volume 2,982,300
Off 52-Week High -11.2%
52-Week Hi-Lo \$53.97-\$19.66

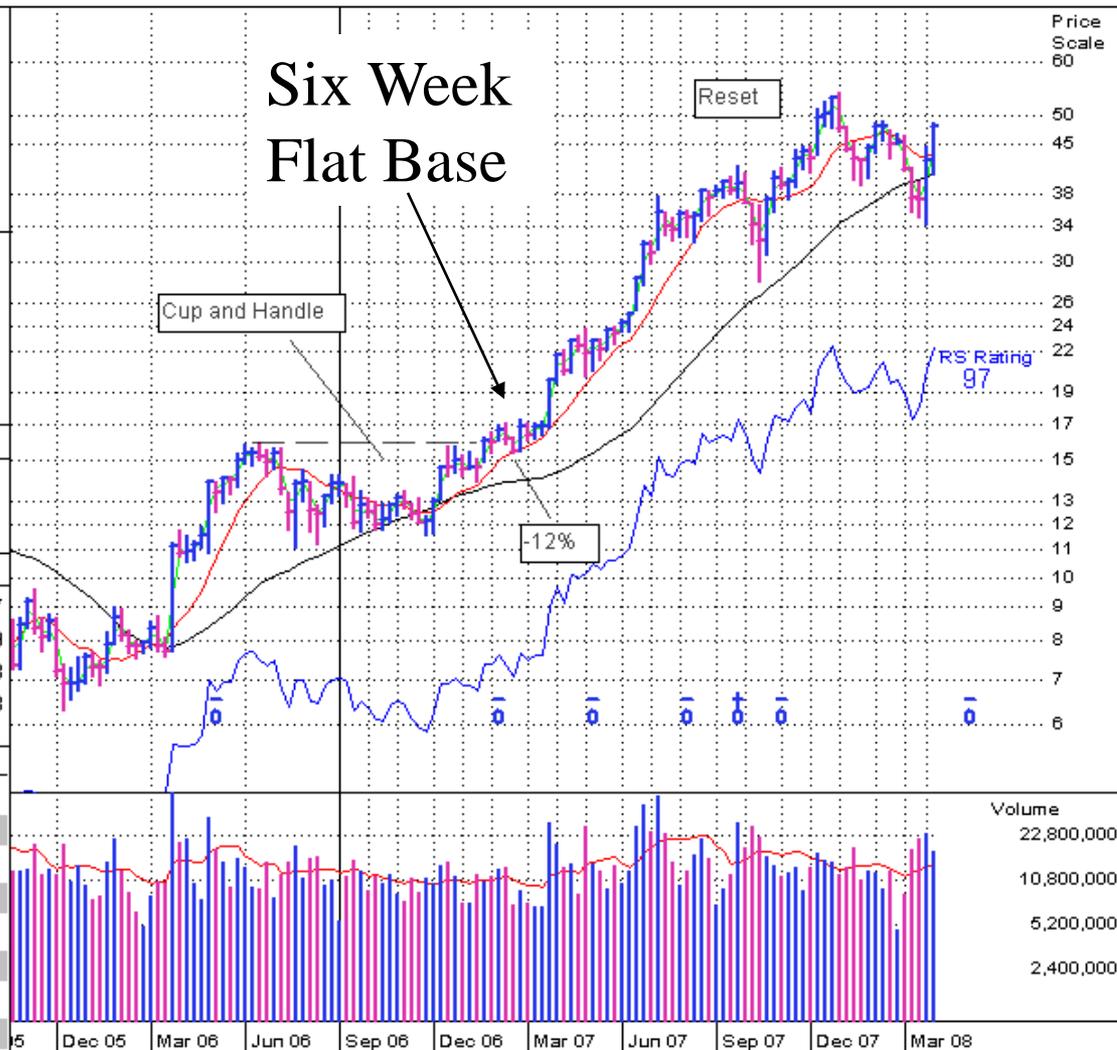
HEADQUARTERS: MIDDLETOWN, OH PHONE: 513-425-5000

www.aksteel.com

MANUFACTURES FLAT-ROLLED CARBON AND STAINLESS/ELECTRICAL STEEL FOR THE AUTOMOTIVE/CONSTRUCTION/APPLIANCE INDUSTRIES.
10/08/07 Reached a health care settlement with a group of retirees from its Middletown (OH) Works plant.

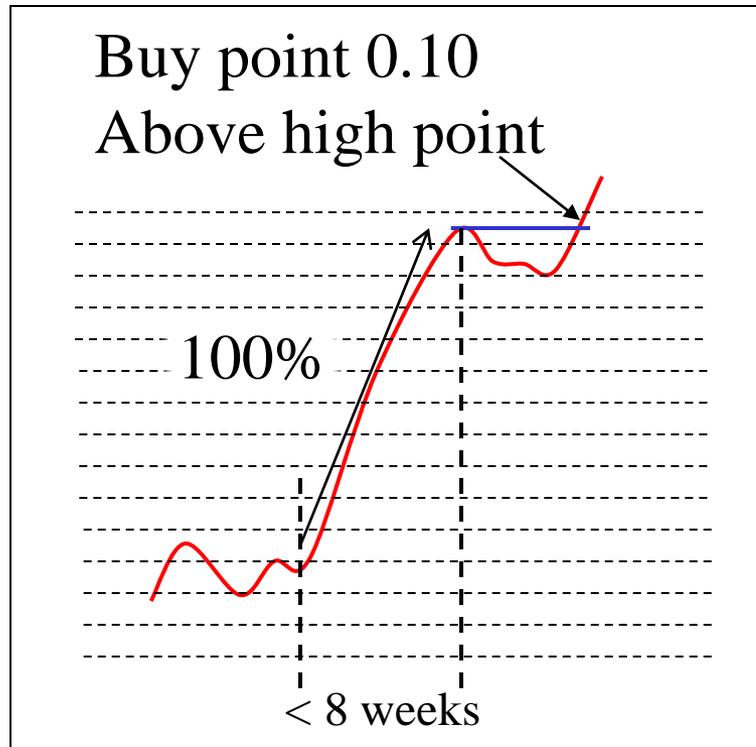
IPO 3/30/1994

Year (Dec)	EPS (\$)	Price (\$)	High	Low	EPS Rating	74
2001	0.01	15	7		Group RS Rating	96
2002	-0.39	14	6		SMR Rating	C
2003	-2.32	8	1		Acc/Dis Rating	B
2004	-0.84▲	16	3		Composite Rating	93
2005	0.29▲	18	6		Timeliness Rating	A
2006	0.26▲	17	7		Sponsorship Rating	D
2007	3.38▲	53	16		EPS Growth Rate	N/A
2008	3.80	est. 12%	▲		Earnings Stability	N/A
2009	3.90	est. 3%	▲		P/E Ratio	14 (0.9 X SP)
Yield	0.4%				5-Year P/E Range	10-383
ExDiv	2/13/08				Return on Equity ['06: 9%]	
Book Value	X12.82				Cash Flow	['06: \$2.10]
Inventory T/O	7.29X				Debt	267%
UD Vol Ratio	2.1				R & D	N/A
New CEO	N/A				Alpha	0.38
					Beta	1.68
Ownership					Mgmt	2%
					Banks	5%
					Funds	13%
Top RS in Grp	Symbol	RS	EPS Rtg	No. of Funds		
ComphSidrg	SID	99	97	Mar-07	77	
Mechel	MTL	99	88	Jun-07	79	
ArcelrMt	MT	92	93	Sep-07	93	
StlDyna	STLD	92	67	Dec-07	103	
Ternium	TX	92	55			



Quarterly	EPS(\$)	% Chg	Sales(\$Mil)	% Chg
Mar-06	0.07	-88%	1435.9	+1%
Jun-06	0.27	-23%	1497.3	+3%
Sep-06	0.36	#+238%	1553.6	+12%
Dec-06	▲-0.45	N/A	1582.2	+15%
Mar-07	▲0.56	+700%	1719.9	+20%
Jun-07	▲1.00	+270%	1869.5	+25%
Sep-07	0.87	+142%	1721.7	+11%
Dec-07*	0.95	#+311%	1691.9	+7%

High Tight Flag

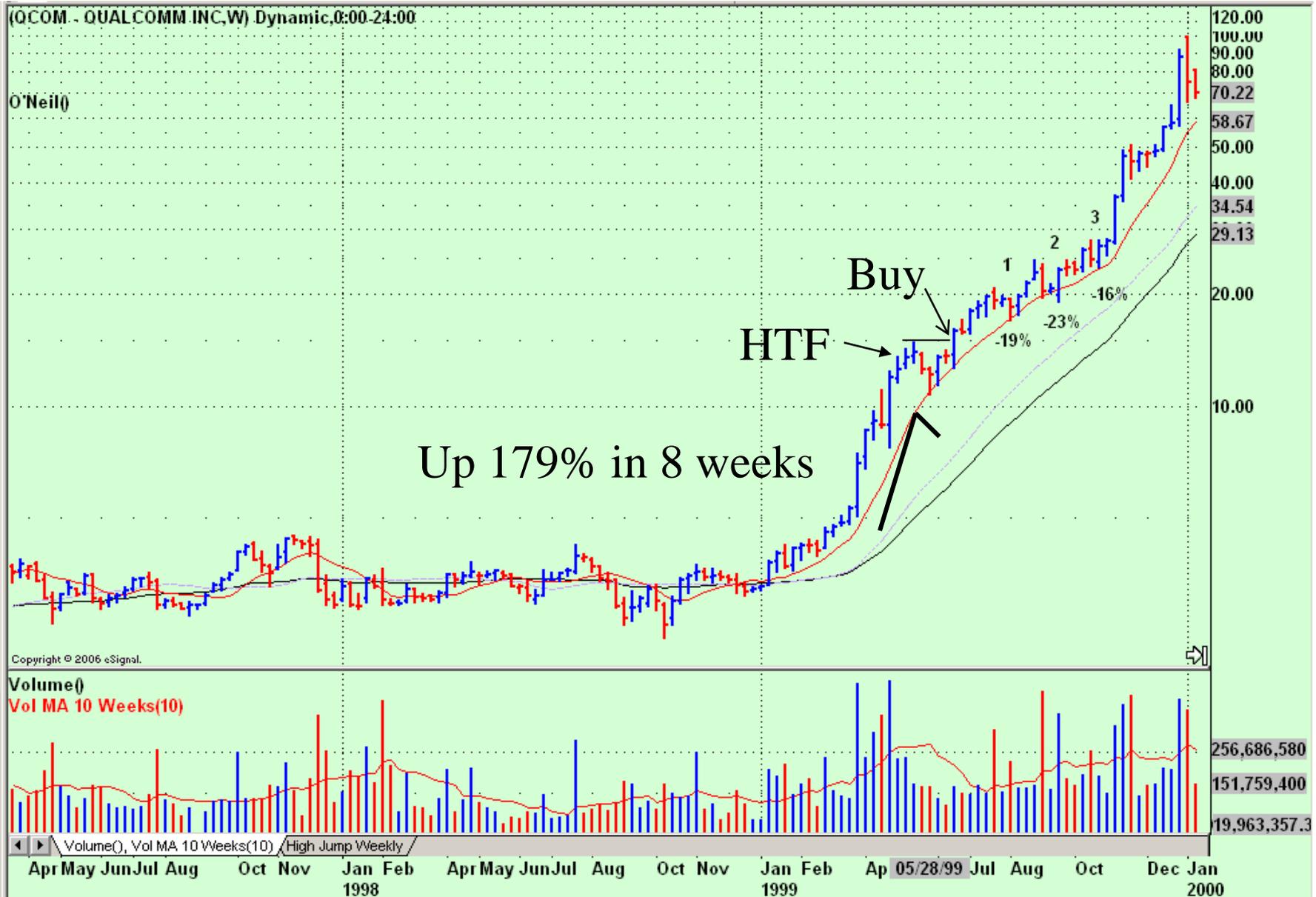


Starts with a 100-120% or more run-up in a very short time (4-8 weeks)

Then corrects sideways (or drifts down slightly) for 3-4 weeks correcting no more than 10-20%

- Very rare base that tends to have an explosive move. You may get one or two of these in a bull market. Failure rate can be higher, stick to institutional grade picks

QCOM High Tight Flag



Option On CB/AM/PA/PH
Short Interest 0.9 days + 29%

DRYS

Market Capitalization \$2.69 Billion
Shares in Float 18.8 Million
Shares Outstanding 36.2 Million

50-Day Avg Volume 4,491,200
Off 52-Week High -43.4%
52-Week Hi-Lo \$131.34-\$16.85

HEADQUARTERS: GREECE, _ PHONE:

www.dryships.com

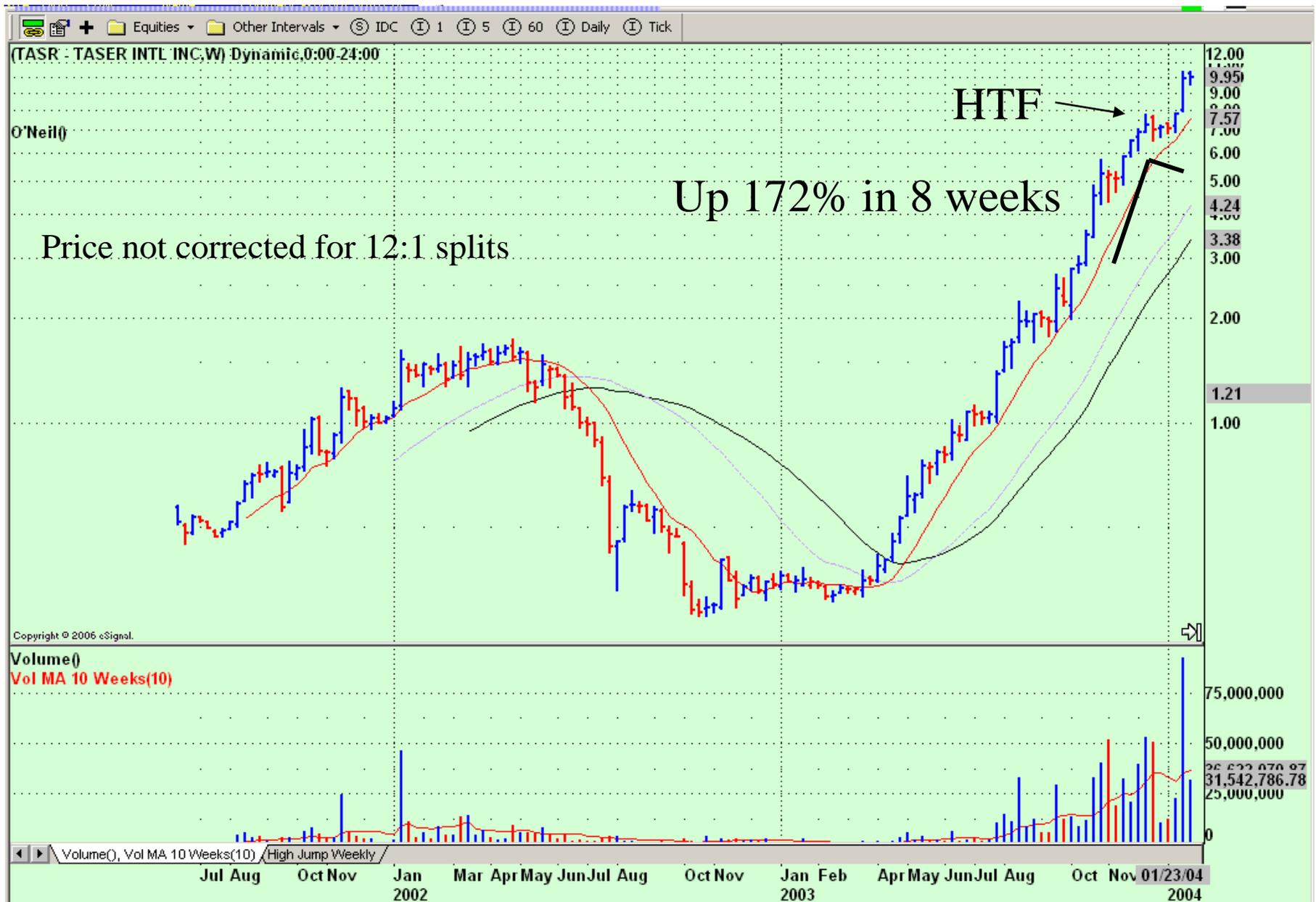
GREEK PROVIDER OF CARRIER TRANSPORTATION SERVICES FOR DRYBULK COMMODITIES SUCH AS COAL/IRON ORE WITH 35 VESSEL FLEET.
12/18/07 To acquire about 30.4% stake of offshore drilling contractor, Ocean Rig ASA for about \$405 mil.

Year (Dec)	EPS (\$)	Price (\$)	High	Low	EPS Rating	99
2000					Group RS Rating	57
2001	0.34				SMR Rating	A
2002	-0.04				Acc/Dis Rating	B-
2003	0.42				Composite Rating	96
2004	1.38				Timeliness Rating	B
2005	3.83	23	11		Sponsorship Rating	A
2006	1.45	18	8		EPS Growth Rate	97%
2007	9.51	est	556%		Earnings Stability	87
2008	18.07	est	90%		P/E Ratio	13 (0.9 X SP)
Yield		1.1%			5-Year P/E Range	2-22
ExDiv		1/16/08			Return on Equity	12%
Book Value		X5.96			Cash Flow	\$3.12
Inventory T/O		127.50X			Debt	130%
UID Vol Ratio		0.9			R & D	N/A
New CEO		N/A			Alpha	0.71
					Beta	2.14
Top RS in Grp	Symbol	RS	EPS Rtg	No. of Funds	Ownership	
TBSIntlA	TBSI	98	98		Mgmt	1%
QuintMa	QMAR	95	80		Banks	6%
Navios	NM	94	64		Funds	17%
ExcelMar	EXM	93	98			
Kirby Corp	KEX	93	93			

Quarterly	EPS(\$)	% Chg	Sales(\$Mil)	% Chg
Dec-05	0.76	+181%	61.7	+311%
Mar-06	0.60	-25%	54.8	+82%
Jun-06	-0.03	N/A	54.5	-30%
Sep-06	0.11	-87%	60.0	+2%
Dec-06	0.77	+1%	79.1	+28%
Mar-07	1.01	+68%	86.7	+58%
Jun-07	1.59	#+999%	112.5	+106%
Sep-07	2.38	+999%	150.0	+150%



TASR High Tight Flag



TASR-Later

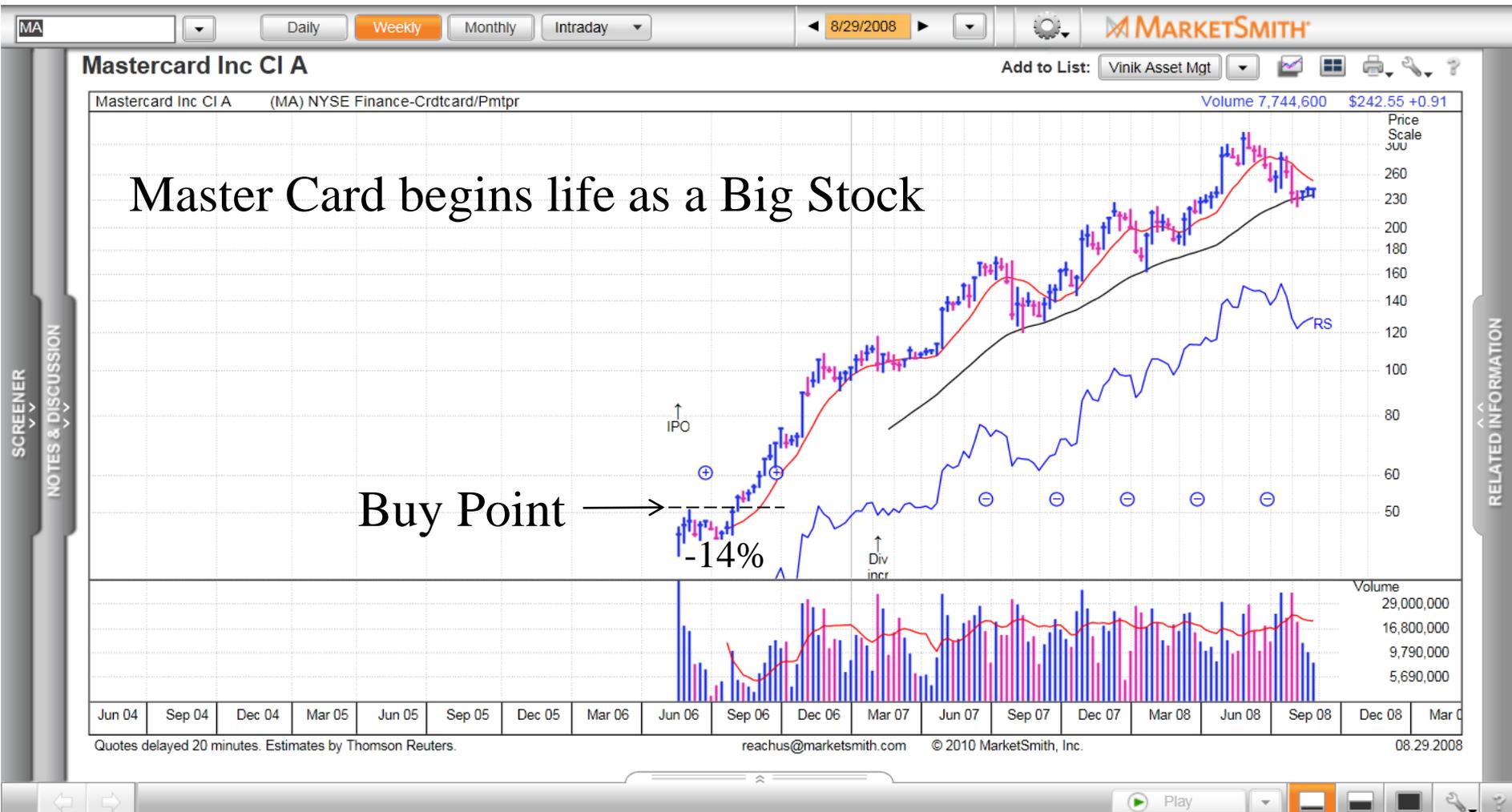


IPO Bases



Look for characteristics of a HTF without the flag pole
Buy point is when price breaks to a new high

Master Card IPO

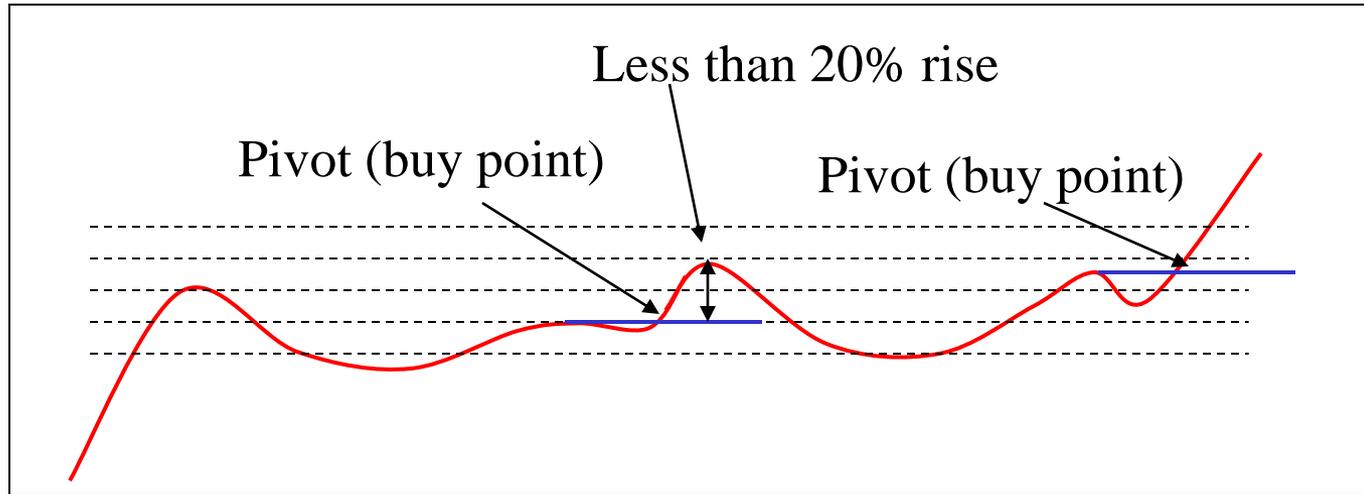


Base on Base

The primary bases (Cup and Double Bottom patterns) we have discussed had the feature of having at least a 20% prior rise before the base began.

The base-on-base pattern can be an exception to this rule, also an IPO

Base on Base



- A base-on-base pattern is created when a second base forms less than 20% above the pivot point of a prior base
- Generally base on base formations are desirable patterns, WHY?

Base on Base Example



Counting Bases

- After a stock moves up they typically consolidate (base) for weeks or months before they make another move
- New investors are required to keep a stock rising
- By the time a growth stock forms its third or later stage base it is known by most investors
- We prefer to buy 1st or 2nd stage bases

Base Counting Rules

- Count each base that forms 20-30% or more above a prior base (pivot to top of next base); make an exception with IPOs
- Count bases when the stock is investment grade. Typically when the top of a base forms above \$10 and demonstrates obvious demand
- Count bases of 7 weeks or longer (exception of 5 week flat base that gets deeply undercut)
- A bear market resets the count for all stocks after the market begins the next bull market
- Any undercut of a prior base resets the count
- A stock that breaks out and fails below the bottom of its base resets the count
- A 2/3 decline from a prior high resets the count
- A base of 12 months or longer resets the count

The first base that forms after count has been reset is first stage

U S Global Investors Inc (GROW) SCM Finance-investment Mgmt

Volume 4,761,000 \$44.51 +8.01

Option On NONE
Short Interest

Market Capitalization \$ 337.0 Mil(\$ 270.5 Mil)
Shares in Float 5.65 Million
Shares Outstanding 7.57 Mil(6.08 Mil)

50-Day Avg Volume 890,300
Off 52-Week High -4.9%
52-Week HI-Lo \$46.81-\$7.25

HEADQUARTERS: SAN ANTONIO, TX PHONE: 210-308-1234

www.usfunds.com

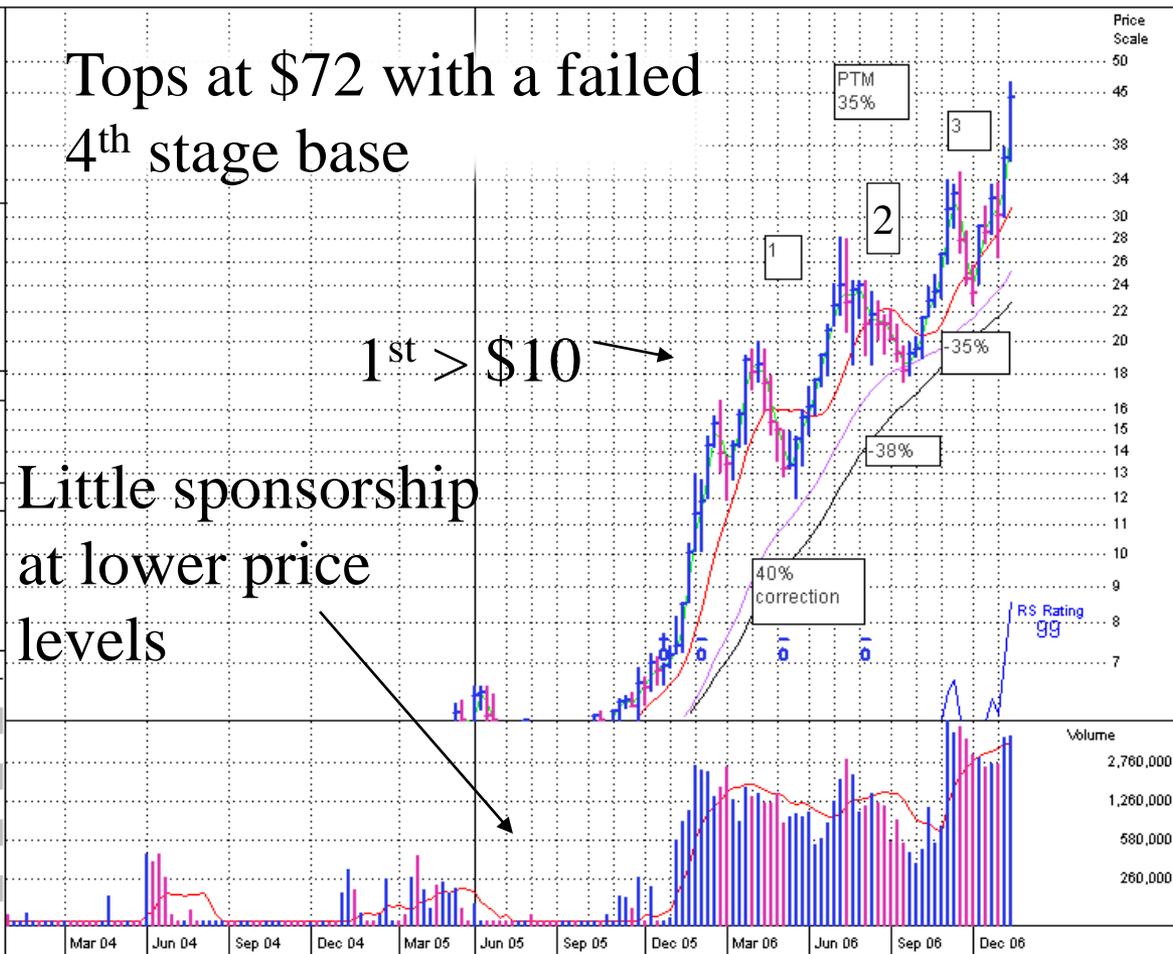
PROVIDES INVESTMENT ADVISORY, TRANSFER AGENCY AND RECORD KEEPING, MAILING, ADMINISTRATIVE AND DISTRIBUTION SERVICES.
09/03/02 Royce_Associates has purchased an additional 7.13% of Co's Class A stock.

Year (Jun)	EPS (\$)	Price (\$)	High	Low	EPS Rating	99
2000	0.07	3	1		Group RS Rating	92
2001	-0.11	1	1		SMR Rating	A
2002	-0.03	2	1		Acc/Dis Rating	A
2003	0.01 ▲	5	1		Composite Rating	99
2004	0.29	5	2		Timeliness Rating	A
2005	0.19	16	3		Sponsorship Rating	A
2006	1.38	46	11		EPS Growth Rate	105%
2007					Earnings Stability	73
2008					P/E Ratio	28 (1.8 X SP)

Yield	NONE	Return on Equity	69%
ExDiv	N/A	Cash Flow	\$1.40
Book Value	X16.41	Debt	0%
Inventory T/O	N/A	R & D	N/A
U/D Vol Ratio	1.4	Alpha	0.65
New CEO	N/A	Beta	1.91

Top RS in Grp	Symbol	RS	EPS Rtg	No. of Funds
DiamHill	DHIL	96	75	Sep-05 5
Dundee Corp	5DBCA	96	74	Dec-05 4
ResourcAm	REXI	94	71	Mar-06 5
CohenStrs	CNS	93	95	Jun-06 9
Senvest Capita	5SEC	89	39	

Quarterly	EPS(\$)	% Chg	Sales(\$Mil)	% Chg
Dec-04	0.05	-71%	4.1	-5%
Mar-05	0.06	+100%	4.9	+52%
Jun-05	0.05	#+600%	5.0	+80%
Sep-05	0.14	+367%	6.6	+122%
Dec-05	0.15	+200%	7.8	+89%
Mar-06	0.34	+467%	11.6	+137%
Jun-06	0.74	+999%	19.0	+277%
Sep-06*	0.32	+129%	11.9	+81%



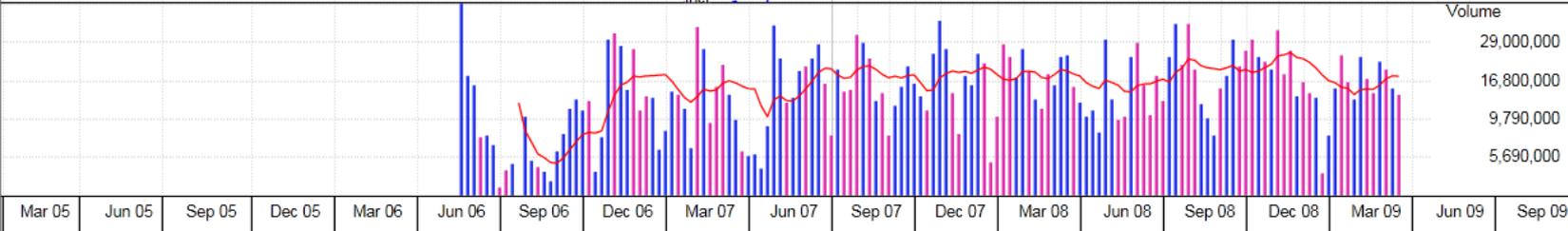
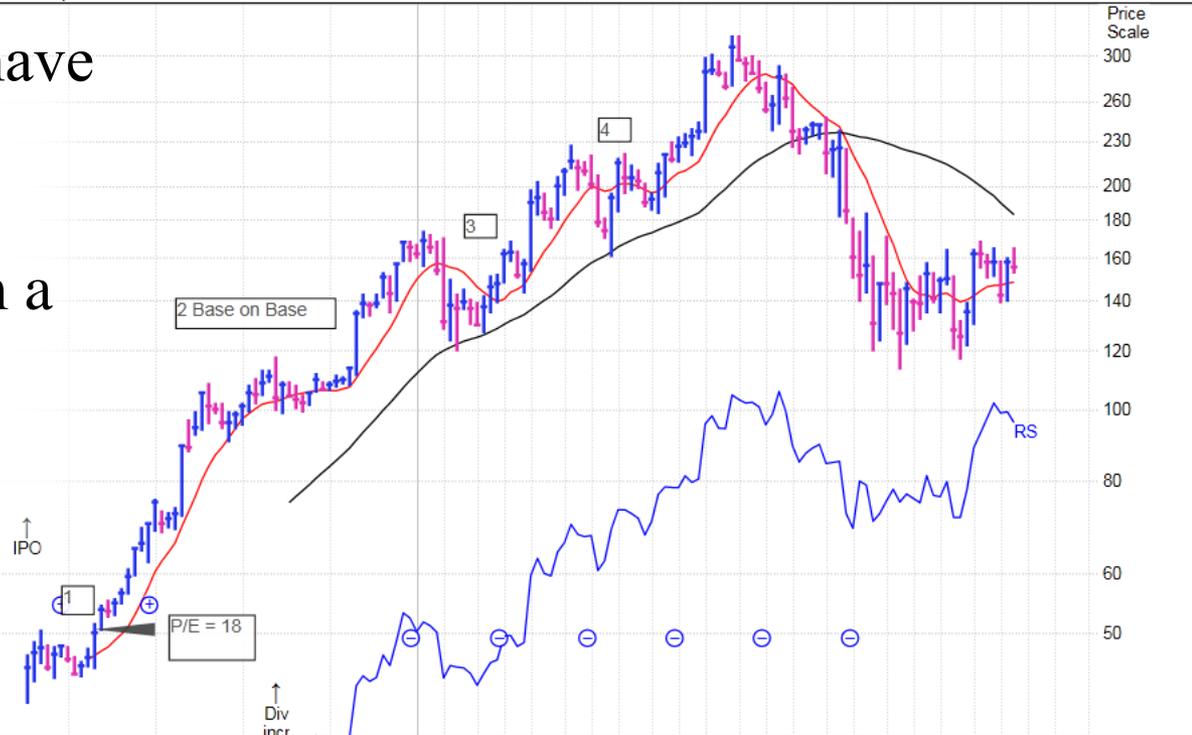
Tops at \$320 after 4th stage base

Mastercard Inc CI A

Add to List: Vinik Asset Mgt

Mastercard Inc CI A (MA) NYSE Finance-Crdtcard/Pmtrp Volume 13,824,800 \$155.53 -2.78

O'Neil Studies have shown that big leaders tend to expand P/E from a 1st stage base by 130% before topping



Master Card

Mastercard Inc CIA (MA) NYSE Financial Services-misc		Market Capitalization	\$ 28.9 Bil(\$ 19.2 Bil)	Volume	24,136,000	\$220.38 +11.73
Option On	CB/AM/PA/PH	Shares in Float	71.5 Million	50-Day Avg Volume	4,260,500	
Short Interest	3.1 days + 10%	Shares Outstanding	131 Mil(87 Mil)	Off 52-Week High	-3.0%	
				52-Week Hi-Lo	\$227.18-\$105.52	

HEADQUARTERS: PURCHASE, NY PHONE: 914-249-2000 www.mastercard.com

PROVIDES GLOBAL PAYMENT SOLUTIONS IN SUPPORT OF THE CREDIT AND DEBIT PAYMENT PROGRAMS OF 25,000 FINANCIAL INSTITUTIONS.

11/05/07 Alan J. Heuer to retire as COO and assume the role of VChrmn.

130% expansion of 1st stage P/E

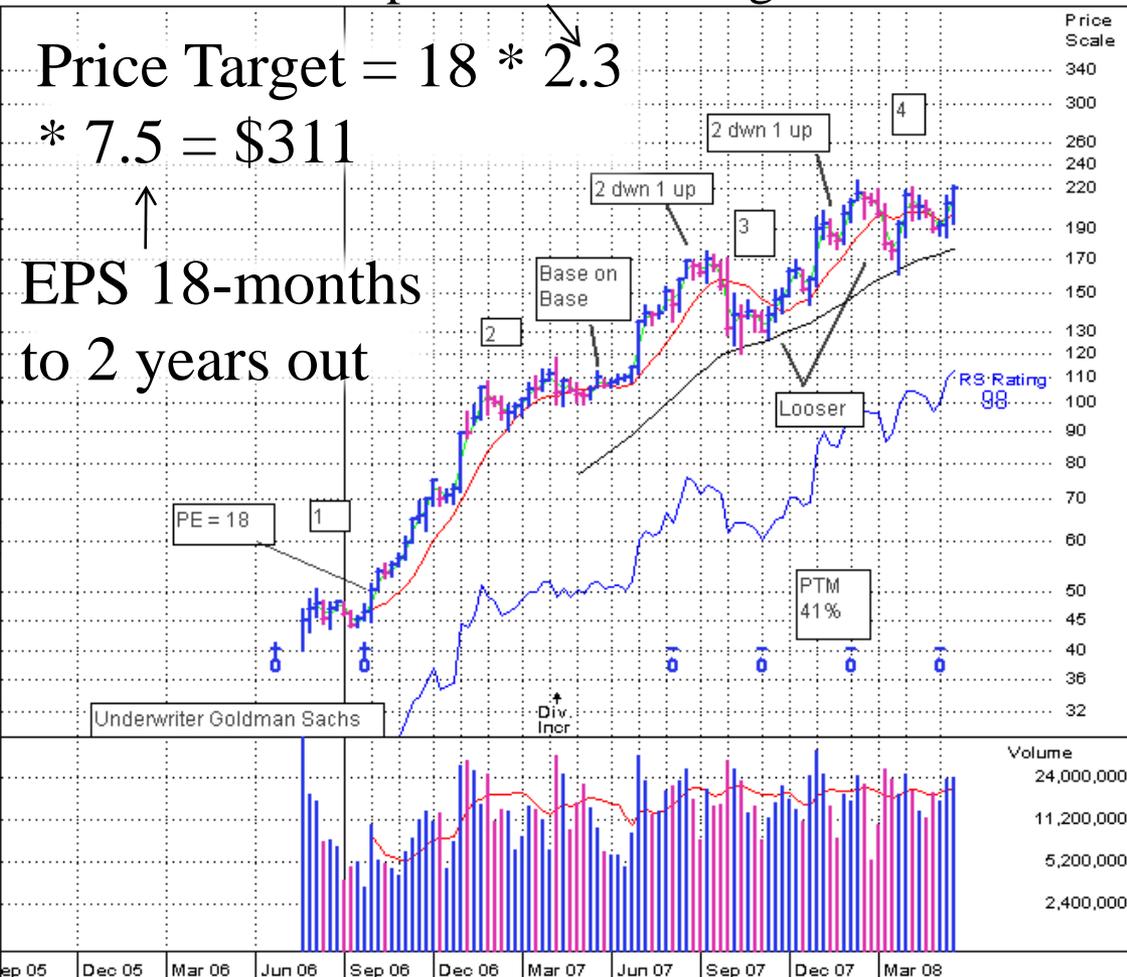
IPO 5/25/2006

Year (Dec)	EPS (\$)	Price (\$)	High	Low
2001	1.05			
2002	0.86			
2003	-2.90			
2004	1.76			
2005	2.35			
2006	3.41	108	40	
2007	5.70	227	95	
2008	7.50	est. 32%		
2009	9.24	est. 23%		

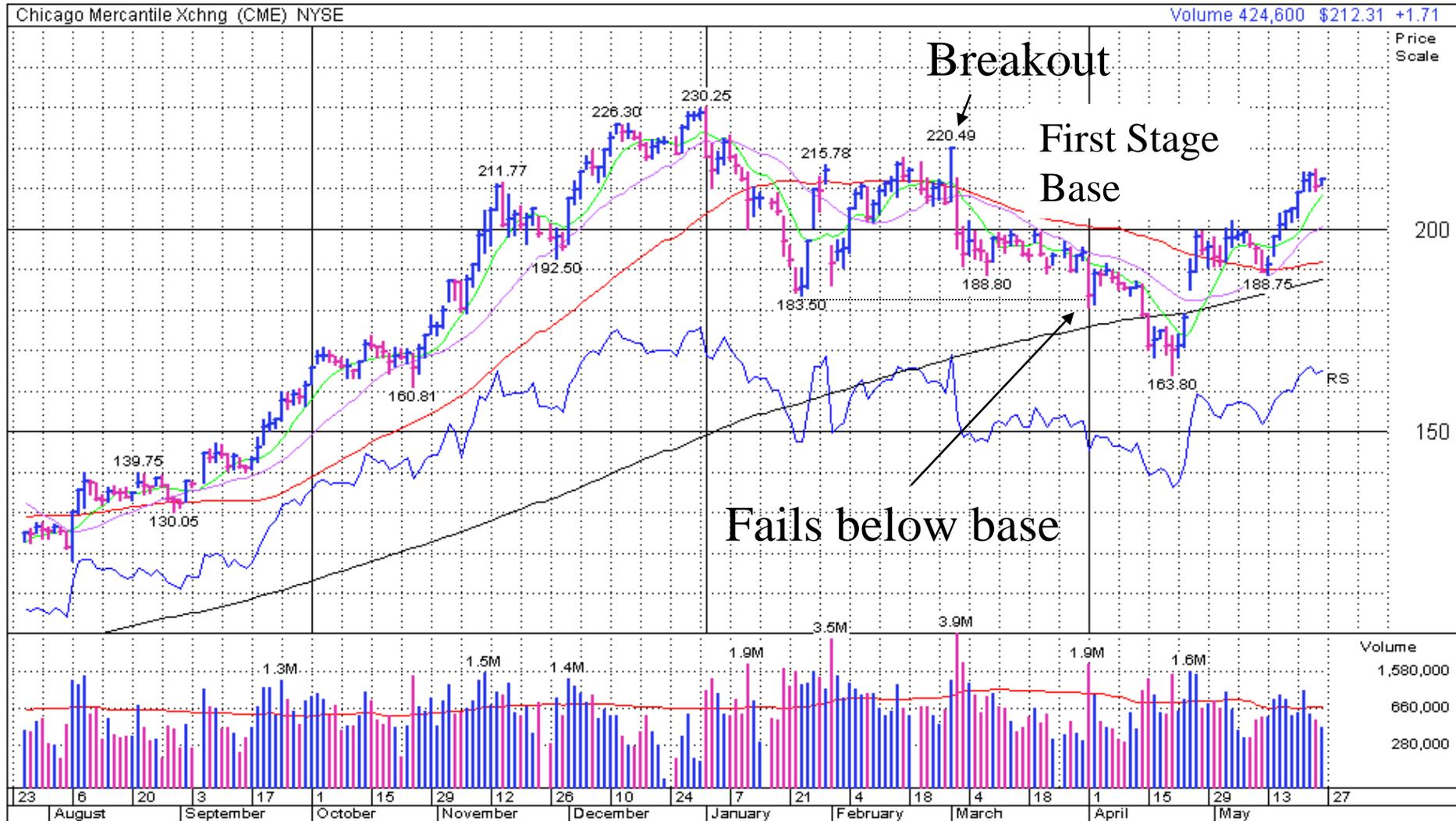
Yield	0.3%	Return on Equity	29%
ExDiv	4/7/08	Cash Flow	\$6.64
Book Value	X9.55	Debt	5%
Inventory T/O	N/A	R & D	N/A
U/D Vol Ratio	0.8	Alpha	0.33
New CEO	N/A	Beta	1.23

Top RS in Grp	Symbol	RS	EPS Rtg	No. of Funds
TNS Inc	TNS	96	80	Mar-07 115
Visa n	V	93	N/A	Jun-07 156
Nasdaq	NDAQ	90	96	Sep-07 218
MSCIInc n	MXB	89	90	Dec-07 248
BlockHR	HRB	87	34	

Quarterly	EPS(\$)	% Chg	Sales(\$Mil)	% Chg
Mar-06	0.94	+36%	738.5	+12%
Jun-06	0.74	-17%	846.5	+10%
Sep-06	1.42	+38%	902.0	+14%
Dec-06	0.31	#+219%	839.2	+17%
Mar-07	1.57	+67%	915.1	+24%
Jun-07	1.43	+93%	997.0	+18%
Sep-07	1.80	+27%	1082.8	+20%
Dec-07	0.89	+187%	1072.7	+28%



Breakout Failure Reset Example



Long Base Reset

Cisco Systems Inc (CSCO) NMS Computer-networking

Option On CB/AM/P A/P/H
Short Interest 1.2 days + 8%

Market Capitalization \$163.37 Billion
Shares in Float 5965.0 Million
Shares Outstanding 6086.7 Million

Volume 128,066,000 \$26.84 -0.09
50-Day Avg Volume 49,982,000
Off 52-Week High -2.2%
52-Week Hi-Lo \$27.44-\$16.97

HEADQUARTERS: SAN JOSE, CA PHONE: 408-526-4000

MANUFACTURES SWITCHES, ROUTERS AND OTHER NETWORKING AND COMMUNICATIONS HARDWARE FOR BUSINESS AND HOME APPLICATIONS.
10/26/06 To acquire Orative Corp, developer of mobile software solutions, for about \$31 mil cash.

www.cisco.com

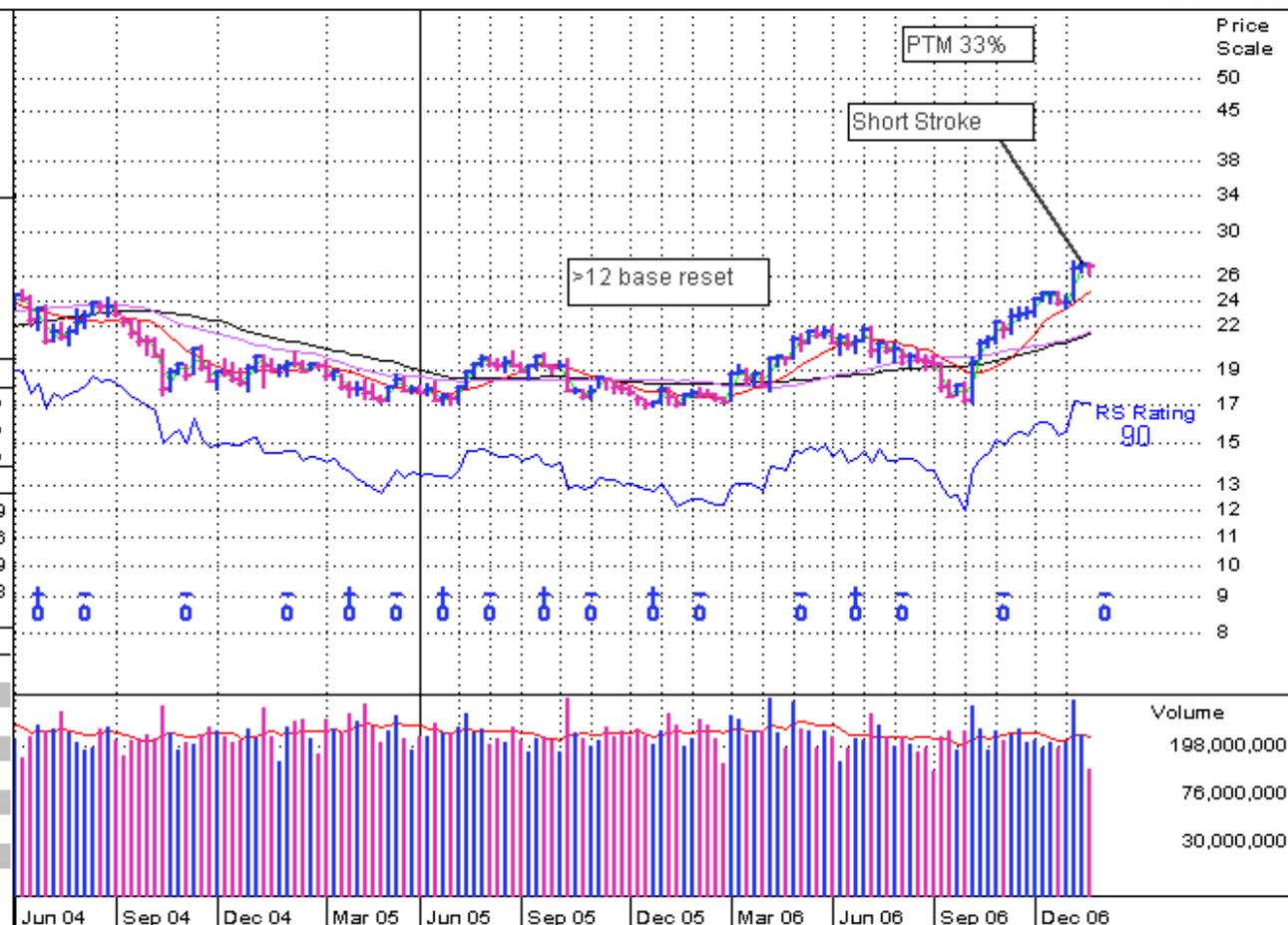
IPO 2/16/1990

Year (Jul)	EPS (\$)	Price (\$)	High	Low	EPS Rating	Group RS Rating	SMR Rating	Acc/Dis Rating	Composite Rating	Timeliness Rating	Sponsorship Rating	EPS Growth Rate	Earnings Stability	P/E Ratio	5-Year P/E Range	Return on Equity	Cash Flow
2000	0.53	82	35		87	99	A	A+	99	A	D	36%	20	23 (1.4 X SP)	15-111	29%	\$1.35
2001	0.41	44	11														
2002	0.39	21	8														
2003	0.59	24	12														
2004	0.76	29	17														
2005	0.92	20	16														
2006	1.10	27	17														
2007	1.29	est. 17%															
2008	1.52	est. 18%															

Yield	Ex Div	Book Value	Inventory T/O	U/D Vol Ratio	New CEO	Debt	R & D	Alpha	Beta	Ownership	Mgmt	Banks	Funds
NONE	N/A	X6.83	21.35X	1.5	N/A	26%	14.3%	0.13	1.28	2%	12%	18%	

Top RS in Grp	Symbol	RS	EPS Rtg	No. of Funds
Lanoptic	LNOP	99	26	Sep-05 1199
Riverbed	RVBD	99	20	Dec-05 1086
Polycom	PLCM	93	79	Mar-06 1149
Netgear	NTGR	90	92	Jun-06 1153
Parkervision	PRKR	89	28	

Quarterly	EPS(\$)	% Chg	Sales(\$Mil)	% Chg
Jan-05	0.22	+22%	6062.0	+12%
Apr-05	0.23	+21%	6187.0	+10%
Jul-05	0.25	+19%	6581.0	+11%
Oct-05	0.25	+19%	6550.0	+10%
Jan-06	0.26	+18%	6628.0	+9%
Apr-06	0.29	+26%	7322.0	+18%
Jul-06	0.30	+20%	7984.0	+21%
Oct-06	0.31	+24%	8184.0	+25%



Next Month we will discuss...

- Alternative entries
- Market tops and bottoms