



# CAN SLIM on Steroids

Gatis Roze | October 17, 2014 at 06:45 AM

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Profitable investing demands a unique type of profitable thinking. Once you've achieved this consistently in your thinking and investing, you are ready to move on to focusing on how best to nudge the probabilities in your favor with respect to all elements of your methodology. Specifically, the example I'll use in this instance is William O'Neil's CAN SLIM® methodology that is so widely used.

I'd like to thank my friend Tom McClellan (of McClellan Oscillator fame) for bringing together two CAN SLIM® experts and traders for an enlightening evening last week. My first exposure to William O'Neil and his methodology was in graduate school, just as he was starting the *Investors Business Daily* newspaper. Back then, he came across as an almost shy but clearly brilliant investor when he spoke to our class about his trading methodology.

When I began trading full-time, my methodology was heavily influenced by his books, his newspaper and his CAN SLIM® approach. Over time, as I managed to achieve both profitability and consistency in my investing, I began to look for what I'll call 'probability-enhancers' to layer on top of the standard CAN SLIM® paradigm. For this reason, the other night as I listened to both CAN SLIM® traders who were presenting their versions of O'Neil's methodology, I could not help but revisit my own growth as a trader.

The foundation of my Tensile Trading methodology is very much rooted in CAN SLIM®, but, over 25 years, it has evolved in a number of significant ways. This blog doesn't afford me the luxury of going into much detail, but I thought I'd try to highlight a few significant personal enhancements that have impacted my own trading performance in positive ways.

Before I get to those specific items, I do think that 75% of most investors would individually profit more from spending their energies on thoroughly understanding O'Neil's CAN SLIM® approach. The itemized 'probability-enhancers' I am about to share with you will work their magic ideally for those 25% of investors who do indeed have a strong foundational understanding of CAN SLIM®. This is your roadmap to implementing CAN SLIM® on steroids!

1. Study the Wyckoff methodology. Developed in the 1920s and '30s by Richard Wyckoff, it will provide CAN SLIM® users powerful insights into understanding institutional sponsorship and the specifics of their buying and selling campaigns. 'Wyckoffians' understand the ebbs and flows of supply and demand in a way that few investors

do. His paradigm of the Composite Operator will change your life.

2. Money Flow and One-Minute Data: When Joe Granville invented On-Balance Volume, he applied it to end-of-the day data. Today's individual investors are fortunate to have access to real-time one-minute data that gives us virtual x-ray vision into seeing precisely the buying (accumulation) or selling (distribution) happening with respect to any equity you are interested in. This is more than a probability enhancer. This is money in the bank.

3. Seasonality Tool: Over a year ago, StockCharts.com added this sensational tool to its arsenal. It allows investors to view historical monthly performances over your choice of years (for example, 10 years). It will shock you to see the predictability in some of your stocks. Take United Rentals (URI), for example. Over the past 10 years, URI has been up an average of 8.4% in December, 89% of the time. In July, it's been up an average of only 1.4%, 30% of the time. If you are a buyer, the month of July makes more sense than December and vice-versa if you are a seller. Another example of probabilities at work for you.

4. In CAN SLIM®, the 'M' stands for Market Indexes. In my methodology – which I call Tensile Trading – the 'M' stands for money. With four clicks on StockCharts.com, I can tell you if the markets are trending up, which of the 9 sectors is outperforming the market, then which industry group in that outperforming sector is the most attractive, and finally, list the best stocks in that industry. The proverbial winds of probability are now blowing strongly at your back. The 'L' in CAN SLIM® stands for leader. These four clicks help you find a stock that's an outstanding leader with maximum Relative Strength.

5. Breakouts that Matter: Tensile Trading employs a strategy that uses the "canned scan" engine on StockCharts.com and scans for breakouts five days ago. What I am looking for is a breakout on big volume followed by a subsequent pullback on low volume – telling me that the sellers are exhausted. This 5-day look-back scan makes it easy to do so.

6. Earnings are in large part determined by the company you keep. In Tensile Trading, I've used my Sisters Strategy for stalking, buying, monitoring and selling. The premise is simple. Few stocks levitate by themselves without the support of a strong sector, strong industry group and strong sister stocks. Frankly, I'm not interested in lower probability stocks flying solo despite the occasional high flyer.

The other truth is that when you get married, you marry into a family. Stocks are no different, so it's to your advantage to get to know the entire family. Let's use Johnson & Johnson (JNJ) as an example. If you're either considering buying JNJ (stalking), just about to pull the trigger and actually buy JNJ, or now own JNJ (monitoring) and eventually must sell JNJ, the "Sisters Strategy" can be one of your most powerful allies. It works like this. You never look at just JNJ by itself. Your chartlist instead contains the whole family. That family includes: (a) XLV – the Healthcare Sector, (b) \$DJUSPR – the Pharmaceutical Industry Index, and (c) the Sister Stocks for JNJ which are Abbott (ABT), Bristol Myers (BMJ), Glaxo (GSK), Merck (MRK) and Pfizer (PFG). Now, for better or worse, when one member of the family catches the flu, you'll have an early warning system in place because chances are the rest of the family will fall ill.

7. Locking Down Profits: My intention is not to be critical of O'Neil's approach but to simply suggest to those 25% of you who have a solid foundation that formulating and fine-tuning a present rules-based exit strategy will yield a lot of bang for your buck. In Tensile Trading, I present a beginner's selling methodology that I call "Three Peaks". My own approach is comprised of a sell flags checklist based on a determination of a stock's more explicit attributes. Specifically, the following:

- a. Relative Strength & Price
- b. Trend
- c. Volume
- d. Momentum
- e. Bearish Patterns
- f. Money Management Rules

In closing, let me say again that I believe William O'Neil has done an exemplary job of educating investors. With over

25 years of trading under my own belt, I can assure you that if you are ready to move up a tier or two with your investing efforts and results, start by embracing a few of these Tensile Trading 'probability-enhancers' and amplify your CAN SLIM® results.

*Trade well; trade with discipline!*

-- Gatis Roze

## FURTHER STUDY/MORE INVESTING TOOLS

1...For those investors interested in detailed explanations & examples of each of these 'Probability-Enhancers' all the details you need are on my 2 disc DVD.

<http://store.stockcharts.com/collections/top-ten-best-sellers/products/tensile-trading>

2...If you are both a CAN SLIM® investor & a StockCharts.com user, the Tensile Trading ChartPack will save you 100's of hours in organizational time.

<http://store.stockcharts.com/collections/stockcharts-com-chartpacks/products/tensile-trading-chartpack-by-gatis-roze>



About the authors: **Gatis Roze**, CMT, holds an MBA from the Stanford Graduate School of Business and is a past president of the Technical Securities Analysts Association (TSAA). He is also the co-author of *Tensile Trading: The 10 Essential Stages of Stock Market Mastery* (Wiley, 2016). A full-time investor for over 25 years, Gatis has taught sold-out investment courses throughout the Pacific Northwest and beyond since 2000. [Learn More](#) ↻



**Grayson Roze** is the author of *Trading for Dummies* (Wiley, 2017) and *Tensile Trading: The 10 Essential Stages of Stock Market Mastery* (Wiley, 2016). He has worked in the financial services industry for StockCharts.com since 2012, and now serves as the Business Manager for the company. He holds a Bachelor's degree from Swarthmore College. [Learn More](#) ↻

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