

In this short article, I will explain how I can use stock screeners to quickly find good stocks to invest, typically within an hr even for someone new to stock investing. I will use Charles Schwab stock screener and compare/contrast with Myfinvar app on myfingita.com.

Let me start the article by refreshing on some common stock investment basics.

- Don't aim for quick, short-term gains: Invest in stocks for the long term. Focus on performance over years. Not months or weeks. Don't fall for 'expert tips', they will not work out over the longer term, adds unnecessary stress and takes up your time. No day-time trading either.
- Don't try to time the market: Small short-term gains or losses do not matter much when invested over longer term, so stop trying to time buy or sell. Don't study short term technical indicators that track price movements and crossovers.
- Don't spend much time on fundamental business analysis – cashflows, financial strength, valuation etc. is a good second check once you narrow down your stock selection. Rely on other quantitative indicators that reflect these fundamentals to narrow down selection.
- Don't focus on Analyst ratings – These are subjective, and, in my experience, I don't find it very valuable to select stocks. I have looked at them in past but don't find very useful.
- Don't be greedy. Understand what returns you want and what risks are acceptable to achieve that. Don't take more risks than necessary or have unrealistic expectations on returns.

I personally recommend investing in a few well-performing, large cap stocks (5-10).

Common practice today is to invest in low-cost ETFs but they sacrifice return to reduce risk. I use options to manage my risk. Protection by options is highly recommended if you are dependent on investment income. I will not go into it in this article.

To select the best stocks, I focus primarily on stock performance over the last 5 years – stocks that have provided consistent returns and beat S&P 500. To be more efficient, I also try to minimize the number of metrics I use to screen and rely only on quantitative data and not subjective ratings.

So, how can you use stock screeners available by major brokerage websites? They are pretty good in general and provide a lot more criteria than necessary. In this article I will explain how I configured quickly Charles Schwab stock screener, the pros/cons and how it compares with screener in Myfinvar app on myfingita.com.

Charles Schwab screener has all criteria supported in 8 sections – basic, dividends, analyst ratings, company performance, price performance, valuation, financial strength,

technical. I tried to study the capabilities available and set the screening criteria to match default filter on Myfinvar app as closely as possible. Below is the summary of screening criteria. Some more explanation on how I arrived at it.

Criteria Name and Selections	Criterion Matches	Total Matches
<b>× Universe</b> <span style="float: right;">Select All Clear All</span> <input type="checkbox"/> Domestic <input checked="" type="checkbox"/> International (ADR)	7,244	<b>7,244</b>
<b>× Index</b> <span style="float: right;">Select All Clear All</span> <input type="checkbox"/> DJIA <input checked="" type="checkbox"/> S&P 500 <input type="checkbox"/> S&P 400 <input type="checkbox"/> S&P 600 <input type="checkbox"/> Russell 2000	503	<b>502</b>
<b>× Yield - 5 Yr Avg</b> <span style="float: right;">Select predefined values</span> Between <input type="text" value="1"/> and <input type="text" value="ex 10"/> %	1,735	<b>310</b>
<b>× Performance vs. S&amp;P 500 Last 12 Months</b> <span style="float: right;">Select predefined values</span> Between <input type="text" value="2"/> and <input type="text" value="ex 10"/> %	1,961	<b>113</b>
<b>× Total Return 3 Year</b> <span style="float: right;">Select predefined values</span> Between <input type="text" value="70"/> and <input type="text" value="ex 10"/> %	914	<b>32</b>
<b>× Market Capitalization</b> <span style="float: right;">Enter specific values Select All Clear All</span> <input type="checkbox"/> Micro Cap <input type="checkbox"/> Small Cap <input type="checkbox"/> Mid Cap <input checked="" type="checkbox"/> Large Cap	355	<b>24</b>
<input type="button" value="Save Screen"/> <input type="button" value="New Screen"/> <input type="button" value="Recent Criteria"/>	<input type="button" value="View 24 Matches"/>	

T: Trillions B: Billions M: Millions K: Thousands MRFY: Most Recent Fiscal Year MRQ: Most Recent Quarter FYF: Fiscal Year Forward TTM: Trailing Twelve Months NM: Not Meaningful

- **Basic:** I limited screener results to domestic, large cap stocks within S&P 500. Could also limit by sectors as Myfinvar app can.
- **Dividends:** For most stocks, high dividends do not correlate to high total returns. In fact, the opposite seems to be true in most cases. Still many investors seem to prefer high dividend paying stocks. The only useful criteria in this section for me was 5 yr average yield (which matches closely Myfinvar dividend filter).
- **Price performance:** This is the most interesting section given my focus on picking stocks based on past 5-year performance. So spent more time exploring and setting screening criteria.
  - Total return – you can only get cumulative return over 1,3 or 5 years. I tried to limit to 70% total return over 3 years (to match 20% annual average return). I also tried 5 years; results were same at end.  
(Didn't understand the predefined ranges provided? Should be just a lower for screening. Screener allowed the ranges to be customized so could set lower limit only.)
  - Performance vs SPY - (they chose the same benchmark comparison as Myfinvar does), is limited to a max of 12 months or less. That is a very short, limited view in my opinion. Should be up to 3 years or more. Chose 2% or more vs SPY, essentially saying more than S&P 500 performance.

- Did not find any other criteria useful beyond what I have already selected.

I did not use any screening criteria in other more traditional sections. Once you narrow down stocks to 20 or less, you can then compare them on these metrics to make final decision.

- Analyst ratings –These are a bit subjective that keeps analysts busy
- Company performance, valuation and financial strength: These are traditional business valuation metrics, useful but too many details for an individual investor in my opinion. Stock and option prices over time should reflect the impact of these.

What was the result of screening? 24 stocks were selected, and only four were also in the list of 17 stocks selected by Myfinvar by its default screening criteria. I have sorted them on 3-yr return and showing only top 10.

24 Screen Results

Pop-up Screener | Print | Export To CSV | Settings

Symbol	Description	Market Capitalization	Total Return 3 Year	Yield - 5 Yr Avg	Performance vs. S&P 500 Last 12 Months
<input type="checkbox"/> <a href="#">VST</a>	Vistra Corp	\$50B (Large)	665.23%	2.56%	214.22%
<input type="checkbox"/> <a href="#">TRGP</a>	Targa Resources Corp	\$43B (Large)	275.38%	3.66%	79.54%
<input type="checkbox"/> <a href="#">AVGO</a>	Broadcom Inc	\$774B (Large)	235.22%	3.13%	31.92%
<input type="checkbox"/> <a href="#">PGR</a>	Progressive Corp	\$150B (Large)	177.62%	2.19%	22.81%
<input type="checkbox"/> <a href="#">GWW</a>	WW Grainger Inc	\$57B (Large)	160.74%	1.29%	13.81%
<input type="checkbox"/> <a href="#">PH</a>	Parker-Hannifin Corp	\$89B (Large)	143.57%	1.50%	25.86%
<input type="checkbox"/> <a href="#">TT</a>	Trane Technologies PLC	\$92B (Large)	134.90%	1.41%	38.13%
<input type="checkbox"/> <a href="#">WMB</a>	Williams Companies Inc	\$71B (Large)	131.43%	6.20%	24.97%
<input type="checkbox"/> <a href="#">ETN</a>	Eaton Corporation PLC	\$141B (Large)	131.12%	2.14%	21.55%
<input type="checkbox"/> <a href="#">AFL</a>	Aflac Inc	\$62B (Large)	117.89%	2.22%	5.40%
<input type="checkbox"/> <a href="#">MSI</a>	Motorola Solutions Inc	\$82B (Large)	107.16%	1.26%	18.36%
<input type="checkbox"/> <a href="#">ORCL</a>	Oracle Corp	\$515B (Large)	103.53%	1.47%	23.05%

Myfinvar’s default filter criteria at intermediate level are 20% avg annual return, 1% avg annual dividend rate, and beats SPY every year in last 5 years. That gives 17 stocks within S&P 500 (you can look them up in Myfinvar). The overlap between the results is just 4 - GWW, ETN, AVGO, AMP. I will soon explain why I think they don’t match better.

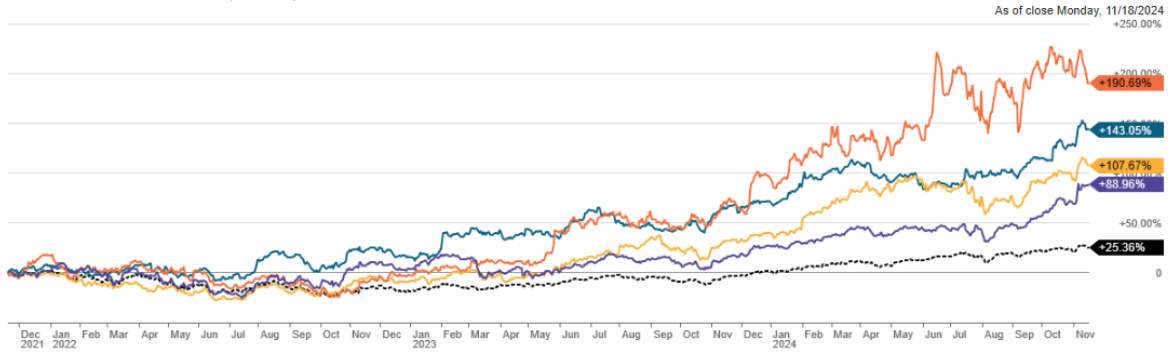
Once you have the short list of stocks, you can compare stocks across numerous metrics easily (where you can look at values that you did not use to filter). I tried it for the 4 stocks above. Just showing the price history charts shown at top of comparison.

Relative Performance Chart

This graph does not reflect distributions, capital gains, sales loads, redemption fees or the effects of taxes on any distributions and/or capital gains.

1 Day 3 Day 5 Day 10 Day 1 Mo 3 Mo 6 Mo 9 Mo YTD 1 Yr 2 Yr 3 Yr 4 Yr 5 Yr 10 Yr

GWW ETN AVGO AMP S&P 500 (Benchmark)

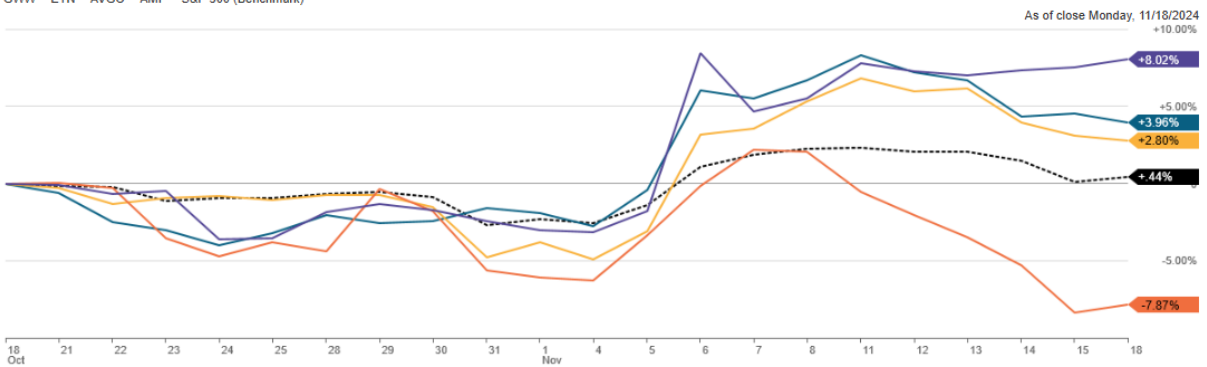


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GWW ETN AVGO AMP S&P 500 (Benchmark)



The price chart at the top is useful to quickly view how the stock prices are growing over different periods. I am showing 3 years. 5 years looks similar. Any short-term chart will look different as shown for 1 month and less useful in predicting future growth. Broadcom (AVGO) is an interesting Information technology stock that gives high dividends and high total return. Most IT stocks don't pay dividends at all.

Instead of trying for different periods, Myfinvar app gives the 12-month return distribution over last 5 years as box chart which I find more useful. You can try app yourself for the stocks above ([myfingita.com/myfinvar](http://myfingita.com/myfinvar))

Why Myfinvar screener and Schwab screener results differ significantly. I believe it is mainly due to the criteria of beating SPY. As I mentioned earlier this criterion is limited to a

maximum of the last 12 months while I base it on 5 years. Schwab screener also misses some other key metrics provided by Myfinvar.

- There is no good metric for variability aka volatility, which is a fundamental thing to understand and filter (and why the app is called Myfinvar). The only visual clue is the price charts in comparison.
- They don't provide correlation of price growth of a given stock to other stock or even the benchmark. You want to select stocks in your portfolio that correlate differently to reduce risk.
- You can also select stocks that have options (that did not make a difference in result) but not on option premiums. Options metrics can be a good filter as they reflect investor assessment of stock). Option premium data and longest expiration date is more useful and will be adding that to Myfinvar filter. You can get them on the options page now.

I have also tried a few different screeners. Deficiencies like the few above with Schwab filter motivated me to develop my own filters based on just last 5 years data of stock price and dividend. 5 years seems sufficient in my experience.

### **Summary :**

Stock research tools and screeners are available on-line that provide a lot of data, to help select stocks to invest in. That may be overwhelming for an average individual investor. Most are also a bit redundant and not useful. Some criteria are subjective gradings that may be conflicting. They also miss key metrics on volatility and correlation and limited in time periods for important metric like stock outperforming S&P 500 benchmark. All this means you can spend more time and be less effective in finding the best stocks. At least that is the case for me given my strategy and focus. So, I was motivated to develop my own stock investment analysis tools from historic performance data, and Myfinvar app is a byproduct that is now available on [myfingita.com](http://myfingita.com). Try and see if you find it useful.

I focused on stock screener comparison in this article, I will compare other parts of Myfinvar capability vs what is available in a follow-up article soon.