Don't Believe the Hype

Another one of our Danger Zone picks is about to go to zero. This stock once traded as high as $511/share, and it stands as an excellent reminder of just how quickly and viciously the market can move on any given stock. And, I think there are more shoes to drop.

I think you'd be hard pressed to find a single investor who thinks the market is undervalued. Even harder to find someone who believes there are not terribly overvalued stocks.

We're not the only people raising red flags. CNBC warned in this recent article: "Retailers like Peloton and Saks keep paying vendors late, signaling possible 'financial distress'". Uh, no duh. That's what happens when your business doesn't make any money for years on end.

With one of the most important earnings seasons of the last few years upon us, it is more important than ever that we help investors protect their portfolios. And, in this letter, I am not only going to share another Danger Zone stock to avoid. I am also letting you know of a special webinar next week at 6pmET on April 18: The Hottest Sectors In The Market Right Now. Register here. In this webinar, I am going to share specific sectors that are good investments in this environment along with specific stocks and sectors that are not. I recommend you join us.

Investors who held Express (EXPR) coming into 2024 got a big punch in the face this year. Express (EXPR) was one of the original meme stocks. As mentioned above, it once traded as high as $511/share. Now, it is below $1/share. The stock is down over 90% year-to-date.

Mike Tyson's famous quote "Everyone has a plan until they get punched in the face" is one of my favorites, and I think it applies to the stock market more than ever.

The stock is down over 30% in the last month. Another punch in the face for "HODLERS."

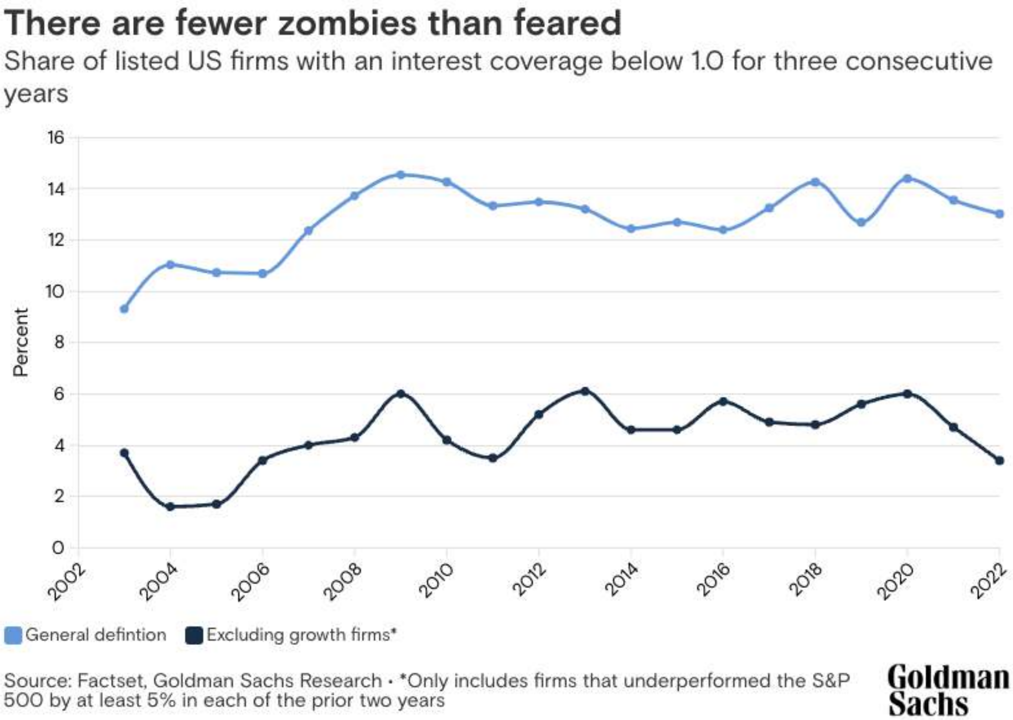
If you're still not convinced that Wall Street is not on your side, I've got another nugget for you. This one comes from a comment from Ryan Mitts to a recent post in our Society of Intelligent Investors:

> "I did a quick search and how can the basic novice investor navigate search results of zombies? I mean look at the top Reddit result for zombie stock going into some weird thing about AMC shareholders being screwed can anyone translate this fiction novel lol?

Also top result from Goldman Sachs, looking to shape the narrative: The Invasion of Zombie Companies that Wasn't."

Read that article and you will get a very clear view of how Wall Street spreads propaganda. Not coincidentally, Goldman published that report a few months after we started the Zombie Stock List. They are clearly trying to counter our narrative and keep unsuspecting investors buying bad stocks. Check out this quote from the Goldman piece:

"the enduring myth of the zombie firm is partly a classification error. 'There are not nearly as many zombies as some of the headline data might suggest,' Puempel says."



I don't agree with any of that rhetoric, but I do think Wall Street wants to make money, and they make more money when more investors are more bullish. The more stock you buy – the bigger their yacht. But that's not what I believe in, and it's not what's best for the capital markets.

Source: Google Images and BOAT International

Wall Street is about benefiting Wall Street. In other words, the people that benefit most are the ones telling you what to do. It's like a farmer telling his cows to eat more hay so they can get fatter and eventually slaughtered. If the cows were smart, they'd run away. That's why our research is independent and honest. I don't benefit when you buy any stocks - I benefit when you buy the right stocks and value our research.

Time for retail investors to get their gloves up. Luckily for our readers, you don't have to take Wall Street or Mike Tyson head on. Just type in a ticker and get an honest answer from us. Now, that's a good trade!

Best,

David

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Disclosure: David Trainer, Kyle Guske II, and Hakan Salt, receive no compensation to write about any specific stock, sector, style, or theme.

Questions on this report or others? Join our Society of Intelligent Investors and connect with us directly.

It's Official: We Offer the Best Fundamental Data in the World

Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Three different papers from both the public and private sectors show:

1. Legacy fundamental datasets suffer from significant inaccuracies, omissions and biases.
2. Only our "novel database" enables investors to overcome these flaws and apply reliable fundamental data in their research.
3. Our proprietary measures of Core Earnings and Earnings Distortion materially improve stock picking and forecasting of profits.

Best Fundamental Data in the World

Forthcoming in The Journal of Financial Economics, a top peer-reviewed journal, Core Earnings: New Data & Evidence proves our Robo-Analyst technology overcomes material shortcomings in legacy firms' data collection processes to provide superior fundamental data, earnings models, and research. More details.

Key quotes from the paper:

- "[New Constructs'] *Total Adjustments* differs significantly from the items identified and excluded from Compustat's adjusted earnings measures. For example… 50% to 70% of the variation in *Total Adjustments* is not explained by *S&P Global's (SPGI) Adjustments* individually." – pp. 14, 1st para.
- "A final source of differences [between New Constructs' and S&P Global's data] is due to data collection oversights…we identified cases where Compustat did not collect information relating to firms' income that is useful in assessing core earnings." – pp. 16, 2nd para.

Superior Models

A top accounting firm features the superiority of our ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg's in Getting ROIC Right. See the Appendix for direct comparison details.

Key quotes from the paper:

- "…an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [as New Constructs does] can investors get an accurate calculation of ROIC." – pp. 8, 5th para.
- "The majority of the difference…comes from New Constructs' machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies." – pp. 4, 2nd para.

Superior Stock Ratings

Robo-Analysts' stock ratings outperform those from human analysts as shown in this paper from Indiana's Kelley School of Business. Bloomberg features the paper here.

Key quotes from the paper:

- "the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant." – pp. 6, 3rd para.
- "Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts." – pp. 20, 3rd para.

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