

Field Ranks and the Overall Fundamental Rating

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Field Ranks

Financial data services provide fundamental data for many different fundamental criteria (or fields) and for thousands of publicly traded stocks. A fundamental field is a specific item of quantitative fundamental data, such as Price/Earnings Ratio or Dividend Yield, that can be regularly updated by connection to a data service.

The fundamental field rank is a three digit number which measures a stock's fundamental attractiveness, based on the value of a particular fundamental field, relative to the other stocks and within a specified population of stocks. The fundamental field rank converts the raw data to a uniform system of values which allows the user to easily determine for any stock the relative attractiveness of all ranked fields.

The fundamental field rank is not simply a hierarchical ranking system where the stock with the highest field value is ranked number 1, the next highest number 2, and so on down the list. Instead, the fundamental field rank is a relative rank designed so the rank value relates directly to the level of attractiveness of each stock.

Field rankings are based on a scale of 0 to 999. The top ranked stock, the stock with the highest field value, is always given a rank value of 999 and the stock with the lowest field value is always given a rank value of 0. The ranks for all other stocks in the population are computed from their field values on a relative basis. For information on the computation of a rank for those stocks with field values falling between the maximum and minimum field values, see the Fundamentals Reference Guide, last section of Part 4.

Note

If you elect to use one of the predefined strategies installed with the program, fundamental fields listed for that strategy are designated for ranking for you. Also, when using a predefined strategy, the population of stocks to be ranked is, by default, the Master Ticker List.

You specify a population of stocks for ranking

Fundamentals for TradingExpert Pro Pro computes a ranking for any fundamental field that is included in the list of fields for any of the predefined strategies or for any user created strategy. For those fields that are designated for ranking, you can specify the population of stocks that will be ranked. Several choices are provided. You may rank all stocks in your data base, just the stocks within your group/sector list, or you may limit the ranking to any user list such as a Scan File list. You may also create separate rankings for each of the sectors or groups within your group/sector List.

Each stock that has data for a designated field and that is within the specified population receives a ranking for that field. For example, you might want to rank all the stocks in your data base on the basis of Earnings Per Share Growth Rate. To produce this ranking, you simply

designate the Earnings Per Share Growth Rate field for ranking and then specify that you want to rank all stocks within your data base. Then, when fundamental data is displayed for any stock in your data base, a numerical rank will appear next to Earnings per Share Growth Rate.

Overall Fundamental Rating

The AIQ Fundamental Rating is designed to provide an overall measure of the fundamental strength of an individual issue. The Fundamental Rating is composed of those fundamental fields that are deemed most significant. These fields are weighted according to the fundamental strategy specified by the user.

Both the fields and the weighting values used in the computation of the rating are controlled by the user. This information is either specified directly or through the selection of one of the predefined strategies. If you elect to use one of the predefined strategies, the fields that are included in the rating are designated and weighted for you.

(For information on how to specify fields and weights for the overall Fundamental Rating, refer to Chapters IX and X.)

Fundamental Ratings are computed from field rankings and are automatically recomputed each time new rankings are computed. The computation is simply a weighted average of the ranks of those fields that are designated to be included in the rating.

A weight (ranging from 1 to 99) is specified for each field that is designated for inclusion in the overall Fundamental Rating. These weights are applied to the rank for each field to arrive at the combined rating for a stock. For example, if you wish to combine five fields and assign each an equal weight of 99, each field will contribute an equal 20% to the rating. However, if you are combining three fields and assign one double the weight of the other two (98 vs. 49 for the other two), the heavily weighted field will contribute 50% while the lesser weighted fields will each contribute only 25% to the rating. In this way, you can construct a Fundamental Rating of any combination of fundamental factors (fields) that you choose, and you can weight these factors in the way that best fits your concept of their relative importance.

The computation of the AIQ Fundamental Rating from field rankings and field weights is detailed in the Fundamentals Reference Guide, last section of Part 4.

Create your own strategy or use a predefined strategy

When creating your own strategy, you can choose which fundamental fields you want to include in the overall Fundamental Rating. The overall Rating combines the rankings of selected fundamental fields weighted according to a fundamental strategy. You can specify both the fields and the weighting values used in the computation of this Rating.

However, if you elect to use one of the predefined strategies installed with the program, the fields that are ranked and included in the overall Rating are designated and weighted for you. You may, if you choose, modify these values.