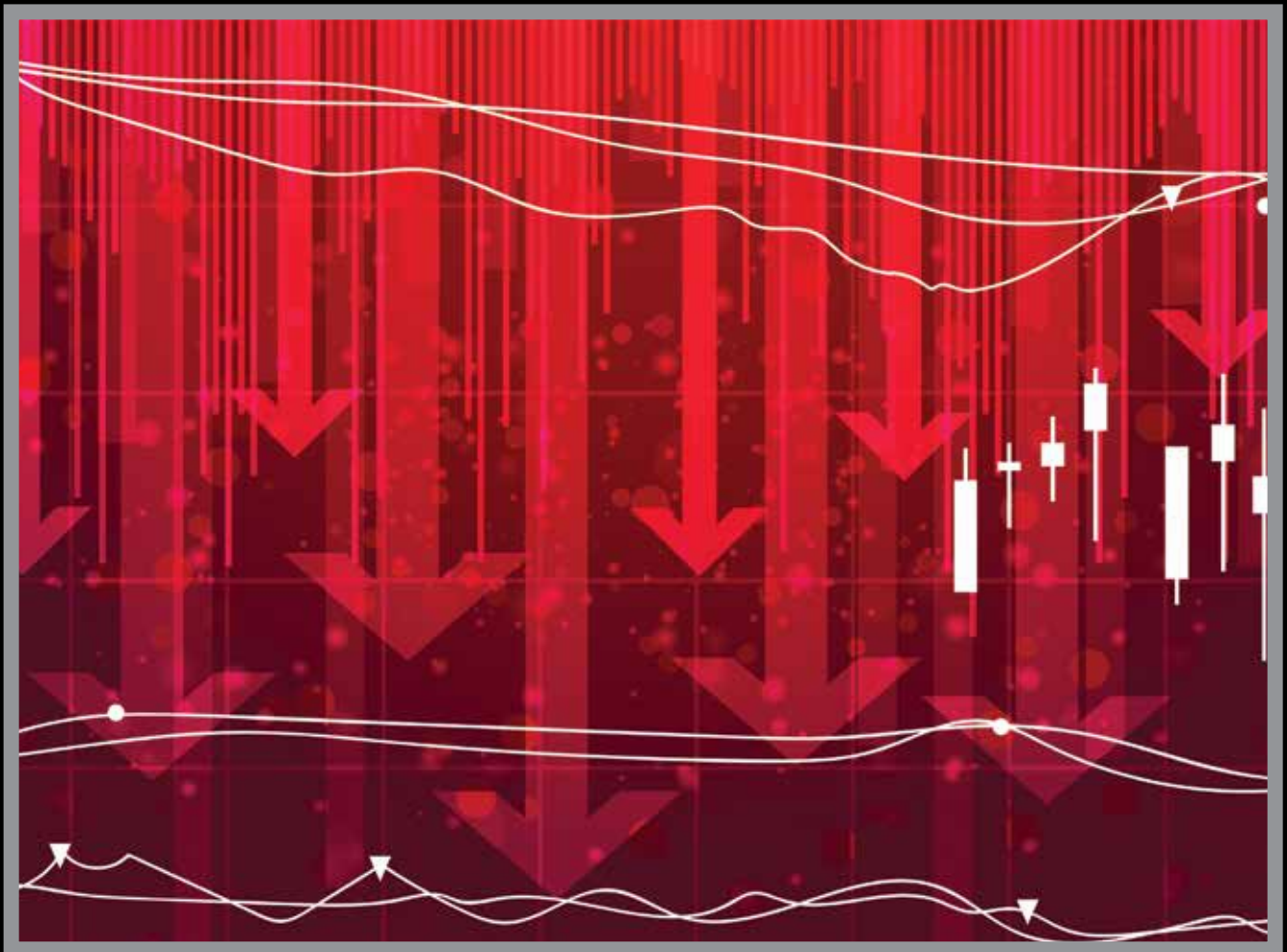


THE SILICON SHAKEOUT:

THE TOXIC TEN



The Silicon Shakeout: The Toxic 10

By Michael Carr

I completed a broad-level analysis on the Nasdaq 100 Index, and I've narrowed it down to the top 10 stocks with the most room to drop.

This index is generally associated with technology. There's a good reason for that ... two-thirds of the stocks in the index are tech companies.

However, the index simply includes 100 of the largest Nasdaq-listed non-financial companies. That's why the ninth largest company in the index is PepsiCo (PEP). Pepsi moved to Nasdaq in 2017 to save money. Listing fees are lower, and the stocks are traded exactly the same way.

Other non-tech household names in Nasdaq 100 include Starbucks Corp (SBUX) and Costco Wholesale Corp (COST).

These are some of the most innovative companies in the world, along with some of the most frugal (like PEP).

The Nasdaq 100 also includes some of the most overvalued companies in the world. In this report, I share 10 charts. These are the 10 stocks that performed the best in my Shakeout Profit System backtest and are significantly overvalued. This table summarizes the results for the past 10 years.

Symbol	Trades	Wins %	Median Trade
EBAY	5	100%	5.7%
LULU	5	100%	10.5%
PYPL	8	100%	13.6%
ROST	9	100%	10.7%
SBUX	1	100%	7.2%
EXPD	13	92%	6.8%
URBN	10	90%	4.1%
CHRW	8	88%	5.1%
MKC	8	88%	1.5%
CEG	7	86%	5.5%

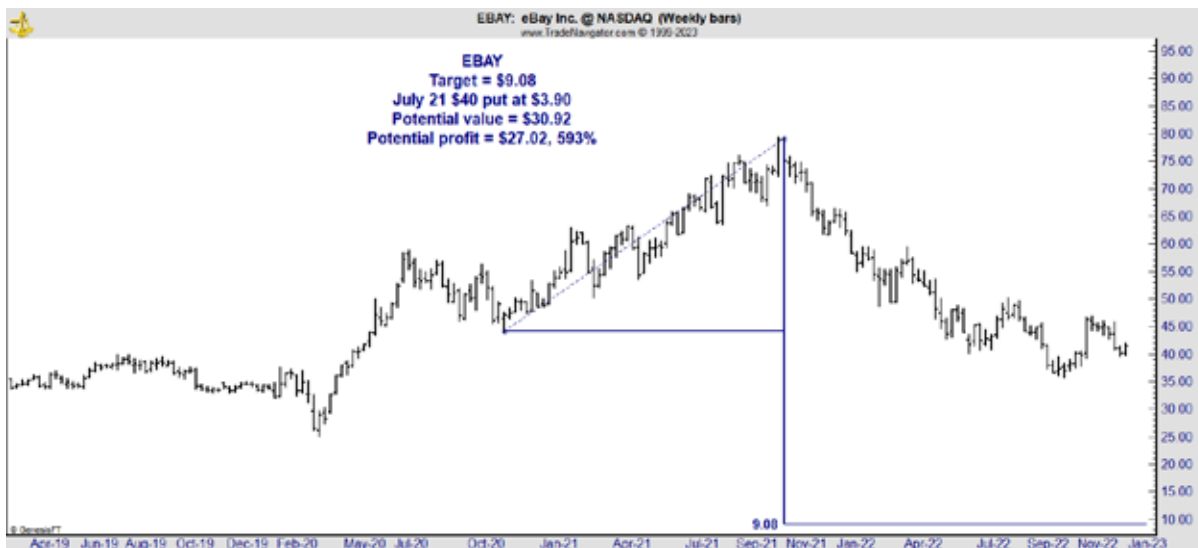
As you can see, some stocks didn't trade much at all. This is a precise system with strict rules. Trades are infrequent, almost rare for some stocks. But the results are worth the wait. And I expect the pace of our trading activity to pick up as the long bull market of the past decade turns to a long bear.

Now, let's get to the charts of the toxic 10...

I believe we'll have multiple opportunities to trade these 10 stocks over the next 12 months.

And every time my Shakeout Profit System gives me the signal, we can look forward to the possibility of double- and triple-digit gains in about three weeks.

First up is eBay Inc. (EBAY).



All of these charts follow the same format. I highlight the price pattern that shows the stock's potential loss, which gives us an opportunity to profit using my Shakeout strategy. Price patterns have been extensively studied since the 1930s. Many analysts assign names like a head-and-shoulders top or a rounding top.

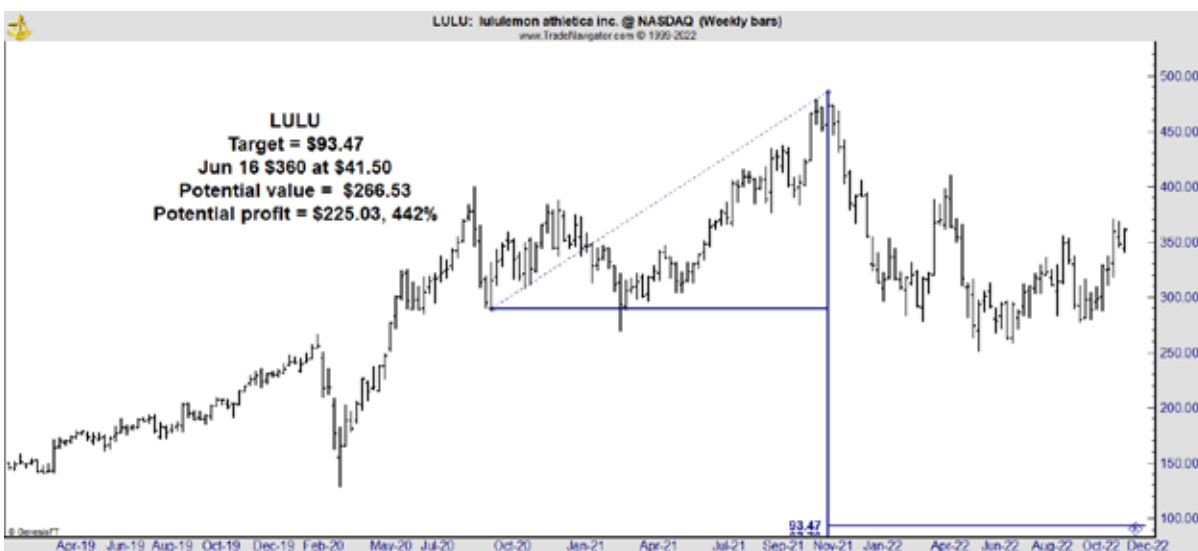
I don't think names are important and prefer a more general approach. I look for the pullback that preceded the acceleration to the top.

From that low, these stocks all soared into bubble territory. That allows us to calculate a price target.

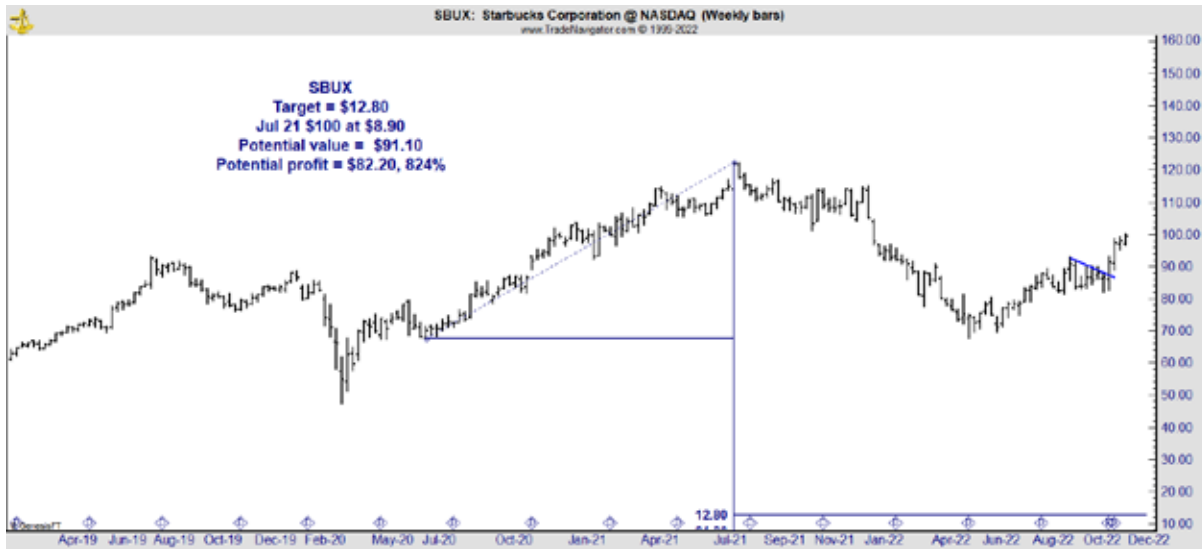
For almost 100 years, price targets have been calculated the same way. We measure the height of the pattern and expect prices to return to that level, and fall the same distance again when they break down. In the past 20 years, extensive testing has shown that this technique works a majority of the time, meaning prices reach the target after most breakdowns.

For EBAY and all of the charts that follow, I've identified the target, suggested an option to trade and calculated the profit for that trade. There are other trade possibilities, but I believe these are all especially attractive.

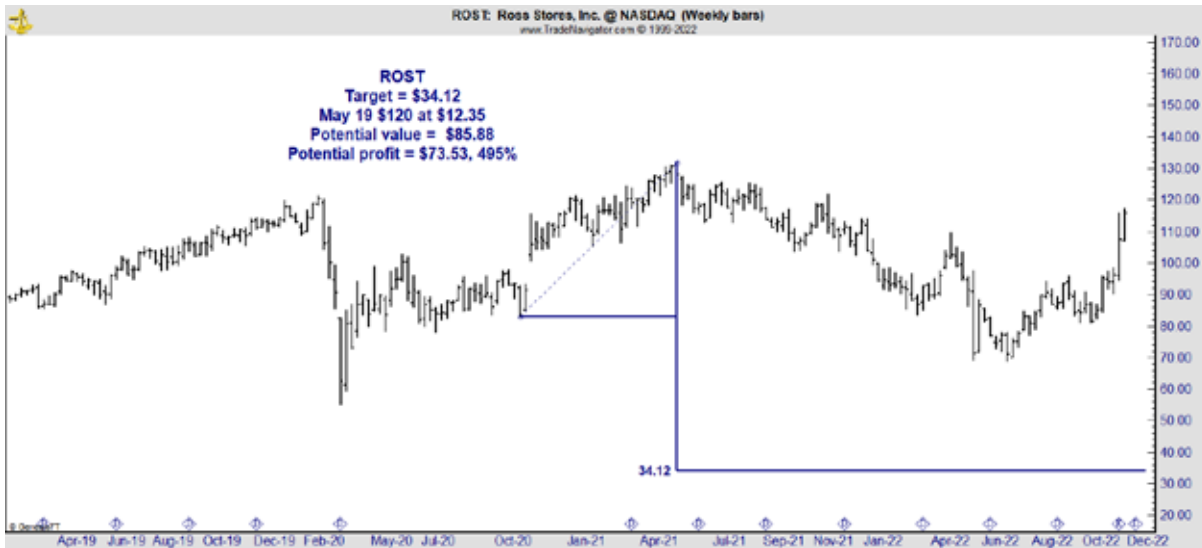
Lululemon Athletica Inc. (LULU)



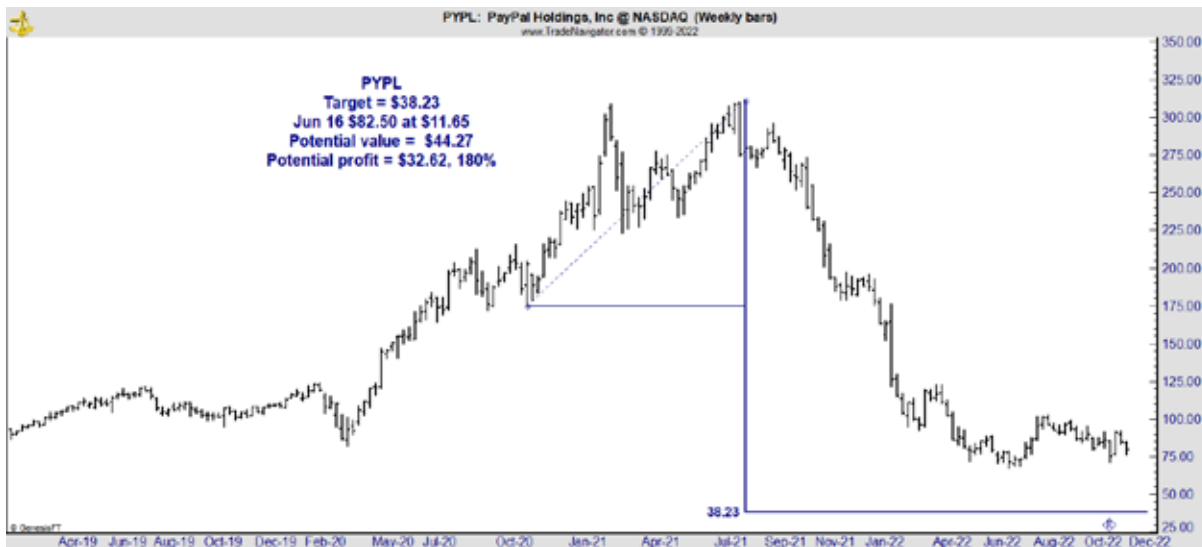
Starbucks Corp (SBUX)



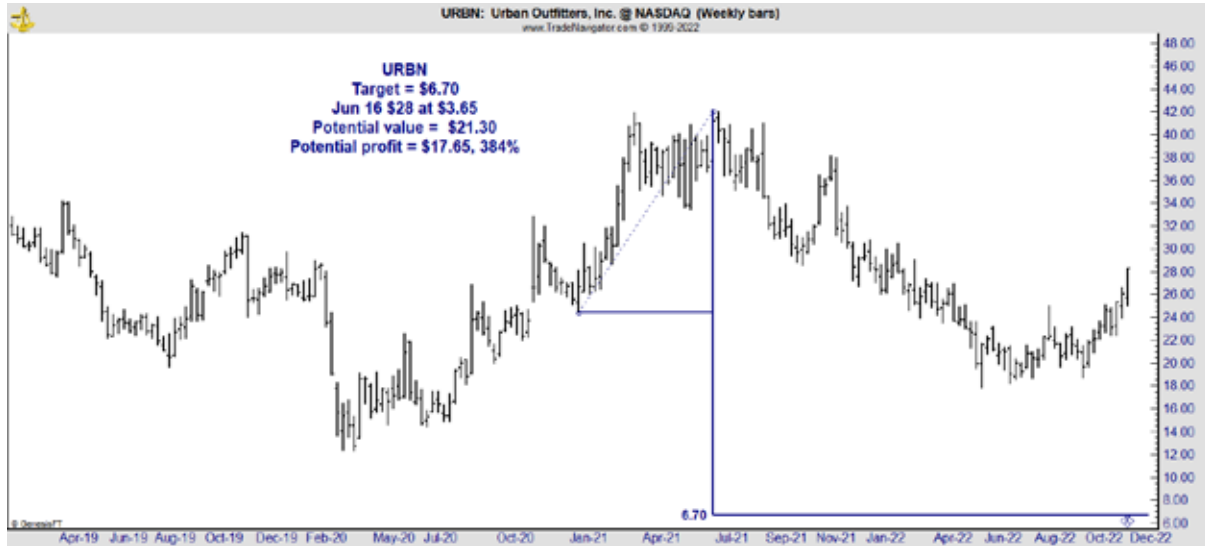
Ross Stores Inc. (ROST)



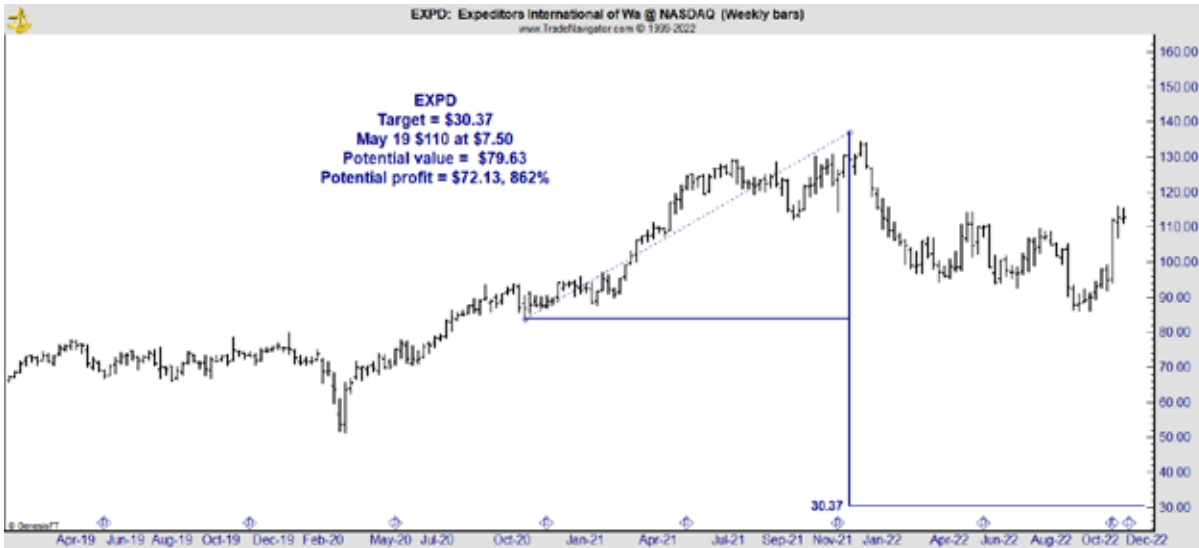
PayPal Holdings Inc. (PYPL)



Urban Outfitters Inc. (URBN)



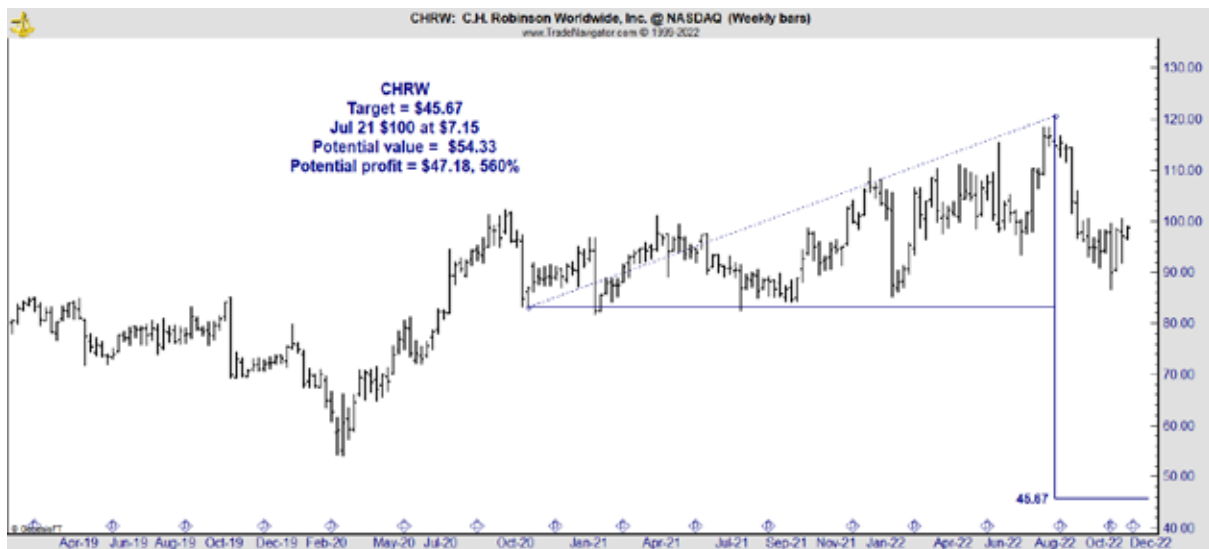
Expeditors International of Washngtn Inc. (EXPD)



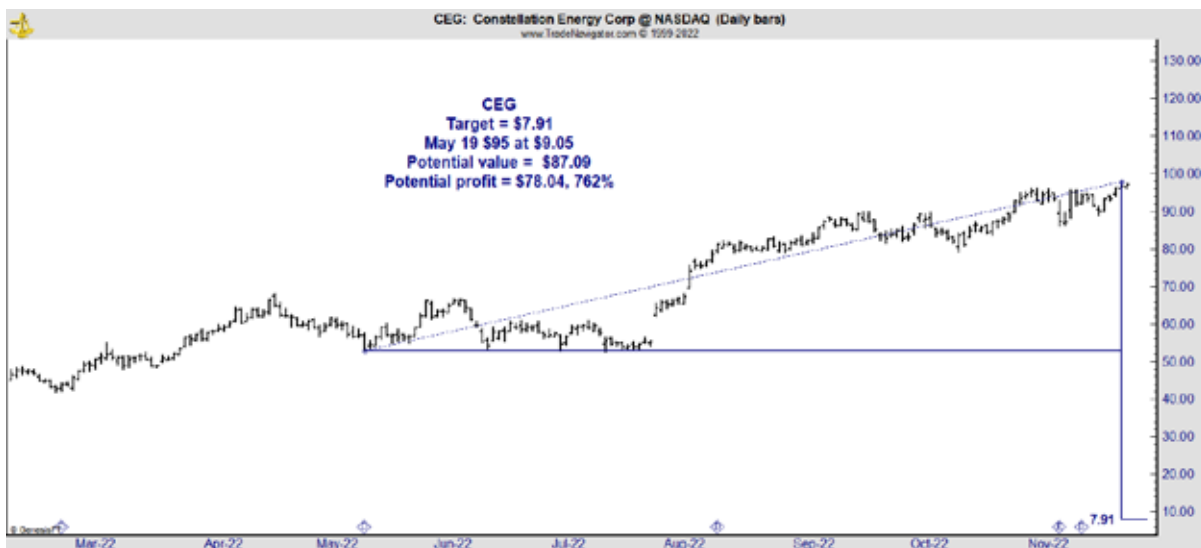
McCormick & Company Inc. (MKC)



C.H. Robinson Worldwide Inc. (CHRW)



Constellation Energy Corp (CEG)



These are all long-term options. I'll also be identifying short-term trades as opportunities develop.

Regards,

Michael Carr
Editor, *Precision Profits*

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