

The Zacks Rank Guide

Harnessing the Power of Earnings Estimate Revisions

Table of Contents

- Introduction
- Zacks and the Zacks Rank
 - The Creation of the Zacks Rank
- The Influence of Institutional Investors
 - How Institutional Investors Use Earnings Estimate Revisions
- Where Do Earnings Estimates Come From?
 - Consensus Estimates
 - Earnings Estimate Revisions
- Zacks Rank Performance
- Four Factors Behind the Zacks Rank
- Examples of the Zacks Rank in Action
 - Anatomy of Success: Short-term, Example 1
 - Anatomy of Success: Short-term, Example 2
 - Anatomy of Success: Long-term, Example 3
 - How to Hold On to the Winningest Stocks for Even Bigger Gains
- Integrating the Zacks Rank Into Your Investment Strategies
 - Momentum Investing
 - Aggressive Growth Investing
 - Value Investing
 - Growth & Income Investing
- Putting the Zacks Rank to Work for You
 - Zacks Free Portfolio Tracker
 - Be Alerted to a New Strong Buy Every Day

-
-
-

▶ Introduction


“Earnings estimate revisions are the most powerful force impacting stock prices.”

Read that sentence again.

It's why we call this ***The Zacks Rank Guide: Harnessing the Power of Earnings Estimate Revisions*** and it can transform your portfolio.

Stocks with rising earnings estimates have significantly outperformed the S&P 500 year after year. While stocks with falling earnings estimates have underperformed the S&P 500 year after year.

This means the stocks most likely to outperform are the ones whose earnings estimates are being raised. And the stocks most likely to underperform are the ones whose earnings estimates are being lowered.



The Zacks Rank has made the process of identifying stocks with changing earnings estimates easy and very profitable.

Beat the Market on Your Very Next Trade

Through good markets and bad, the Zacks Rank has been helping investors achieve their financial goals.

In the following pages, you'll discover why earnings estimate revisions can lead to dramatic stock gains, and how you can immediately apply this to your own trading.

Since 1988 the Zacks Rank #1 Strong Buy has...

Generated a
+23.7%
average annual
return

Turned \$10,000 into
+\$24.0 mil
vs. the S&P 500's
+\$450,000

Beaten the S&P 500
29 of **36**
years it has been
used

The Zacks Rank

+23.7%

S&P 500

+11.0%

Average Annual Returns over 35 years

Read on to learn how you can put the Zacks Rank to work for you and how it can help you achieve your own financial goals.

"I can honestly say that I have never felt as confident in my trading. Nor have I been as profitable as I have by using Zacks."

Kurt Petrich
Norfolk, VA

Zacks and the Zacks Rank

In 1978, Zacks Investment Research was formed to compile and analyze brokerage research for both institutional and individual investors.

Today, Zacks processes this information from roughly 3,000 analysts at over 150 different brokerage firms. At any given point in time, we're monitoring well over 200,000 earnings estimates and other related data looking for any change. Our ability to gather, analyze and distribute this information on a timely basis makes Zacks' research among the most widely used investment research on the web.

The Creation of the Zacks Rank

- The Zacks Rank was created by the Founder and CEO of Zacks Investment Research who has a PhD from MIT and spent many years on Wall Street testing statistical models to help uncover ways to beat the market. This research led to the breakthrough discovery:

"Earnings estimate revisions are the most powerful force impacting stock prices."

- Founder and CEO

His findings were first published in 1979 in the Financial Analysts Journal and entitled "EPS Forecasts -- Accuracy Is Not Enough". From this seminal work emerged the now famous Zacks Rank stock-picking system, which harnesses the power of earnings estimate revisions. And so began a long tradition of innovation by his renowned firm Zacks Investment Research.

The Zacks Rank uses four factors related to earnings estimates to classify stocks into five groups, ranging from "Strong Buy" to "Strong Sell". More importantly, it allows individual investors to take advantage of trends in earnings estimate revisions, and benefit from the power of institutional investors.

"I don't buy a stock unless Zacks says it's a Strong Buy."

Tim Mally
Madison, WI

▶ The Influence of Institutional Investors

People who trade stocks are broadly defined into one of two groups: institutional investors and individual investors. Institutional investors are the professionals who manage the trillions of dollars invested in mutual funds, investment banks, hedge funds, etc. Individual investors, also referred to as "retail investors," are people who independently invest for their own private accounts.

Studies have shown that institutional investors can and do move the market due to the large amounts of money they invest with. Because of this, the market has a tendency to move in the same direction as these institutional investors.

Here at Zacks, we have always known about the power of the institutional investor. Through the Zacks Rank you can benefit by getting into the stocks that are highly sought after by these large professionals, due to their focus on earnings estimate revisions.

How Institutional Investors Use Earnings Estimate Revisions

Most institutional investors attended prestigious business schools where they were taught a number of classical financial models, many of which were designed to calculate the fair value of a company and of its shares. Almost without exception, these valuation models focus on earnings and earnings estimates. Very simply, if you raise the earnings estimates used in the model, then it will create a higher fair value for the company and its stock price.

Example:

If an analyst believes a stock is worth 20 times next year's earnings (P/E of 20), with an earnings estimate of \$1.00 per share (\$1.00 Estimated EPS), then it would be under its fair value at any price below \$20. ($20 \text{ P/E} \times \$1.00 \text{ Est. EPS} = \20).

If the analyst changes his forecast and believes the company will instead earn \$1.10 per share, the fair value would then be \$22. ($20 \text{ P/E} \times \$1.10 \text{ Est. EPS} = \22 .)

Institutional investors then act on these changes in earnings estimates, typically buying those with rising earnings estimates and selling those with falling earnings estimates. As you can see, an increase in the earnings estimates can translate into a higher price for the stock and bigger gains for the investor.

And since it can often take weeks, if not months, for an institutional investor to build a position (given their size), the individual investor who can get in at the first sign of upward earnings estimate revisions (e.g., new Zacks Rank #1s), has a distinct advantage over these larger investors, and can benefit by the expected institutional buying that will follow.



“The Zacks #1 Rank leads
me to stronger stocks.”

Clarence Feinour
Reading, PA

Where Do **Earnings Estimates** Come From?



The best and most widely used source of earnings estimates comes from the brokerage analysts who track these publicly traded firms. These analysts work hand in hand with company management, and independently, to analyze every aspect that may affect future earnings.

Analysts are paid in aggregate, over \$1 billion a year to analyze stocks. They must know something - and they do. The typical analyst at a brokerage firm will work 80 hour weeks, devoting all his or her time to, at most, maybe 20 companies. And many companies are followed by 5 to 10 analysts or more (30 or 40 for the biggest ones). One of their main tasks is to determine what a company's earnings will be. This is where they excel; not in their ratings, but in their earnings estimates (also known as earnings per share or EPS estimates).

Consensus Estimates

- From these individual analyst estimates, Zacks creates a consensus EPS estimate, which is the average of all estimates made within the last 120 days (older estimates are not included).
- Zacks calculates this consensus estimate for each of the next four quarters, each of the next three years, and as a growth rate over the next five years. These consensus estimates are the benchmark by which the company will be judged by the investment community.
-

Earnings Estimate Revisions

When trying to determine the future direction of a stock's price move, you need to look at what a company will earn in the future. This is why earnings expectations or earnings estimates are so important. And it's the change in the earnings estimates (earnings estimate revisions) that have proven to be the most important.

This is because stocks that receive upward earnings estimate revisions are more likely to receive even more upward earnings estimate revisions in the future. This is true because many analysts will revise their earnings estimate slowly and incrementally.

For example, if an analyst raised his earnings estimates last month, he's more likely to do it again this month, and the other analysts are likely to do the same. Since stock prices respond to earnings estimate revisions, it's very profitable to buy stocks whose earnings estimates are being raised. And by getting into stocks whose earnings estimates are being raised, you're likely getting into companies whose future earnings estimates will be raised as well, potentially influencing stock prices even more.

"I have bought many stocks over the past three years based on Zacks Rank and made money. Too many to mention names."

**Lowell Womack
Birmingham, AL**

Zacks Rank Performance

Given the sheer number of earnings estimate revisions made on a daily basis, it can be very difficult to determine which stocks to buy and which ones to avoid. The Zacks Rank solves this problem by helping investors harness the power of earnings estimate revisions to invest more successfully.

The Zacks Rank is a proprietary stock-rating model that uses trends in earnings estimate revisions and EPS surprises to classify stocks into five groups:



1 Strong Buy

The top 5% of stocks get this coveted rating. A Strong Buy should outperform the market more than any other rank.

2 Buy

The next 15% of stocks are rated as "Buy". These stocks should also outperform the market.

3 Hold

Most stocks (60%) fall into this category. These stocks should perform in-line with the market.

4 Sell

Stocks with this rating (15%) will most likely underperform compared to the market.

5 Strong Sell

The bottom 5% of all stocks get this rating. These stocks should perform dramatically worse than the market.

Average Annual Return

A portfolio of Zacks Rank #1 (Strong Buy) stocks has beaten the market in 29 of the last 36 years with an average annual return of +23.7% a year; more than double that of the S&P 500's +11.0%. These returns cover a period from 1988 to 2024 YTD.

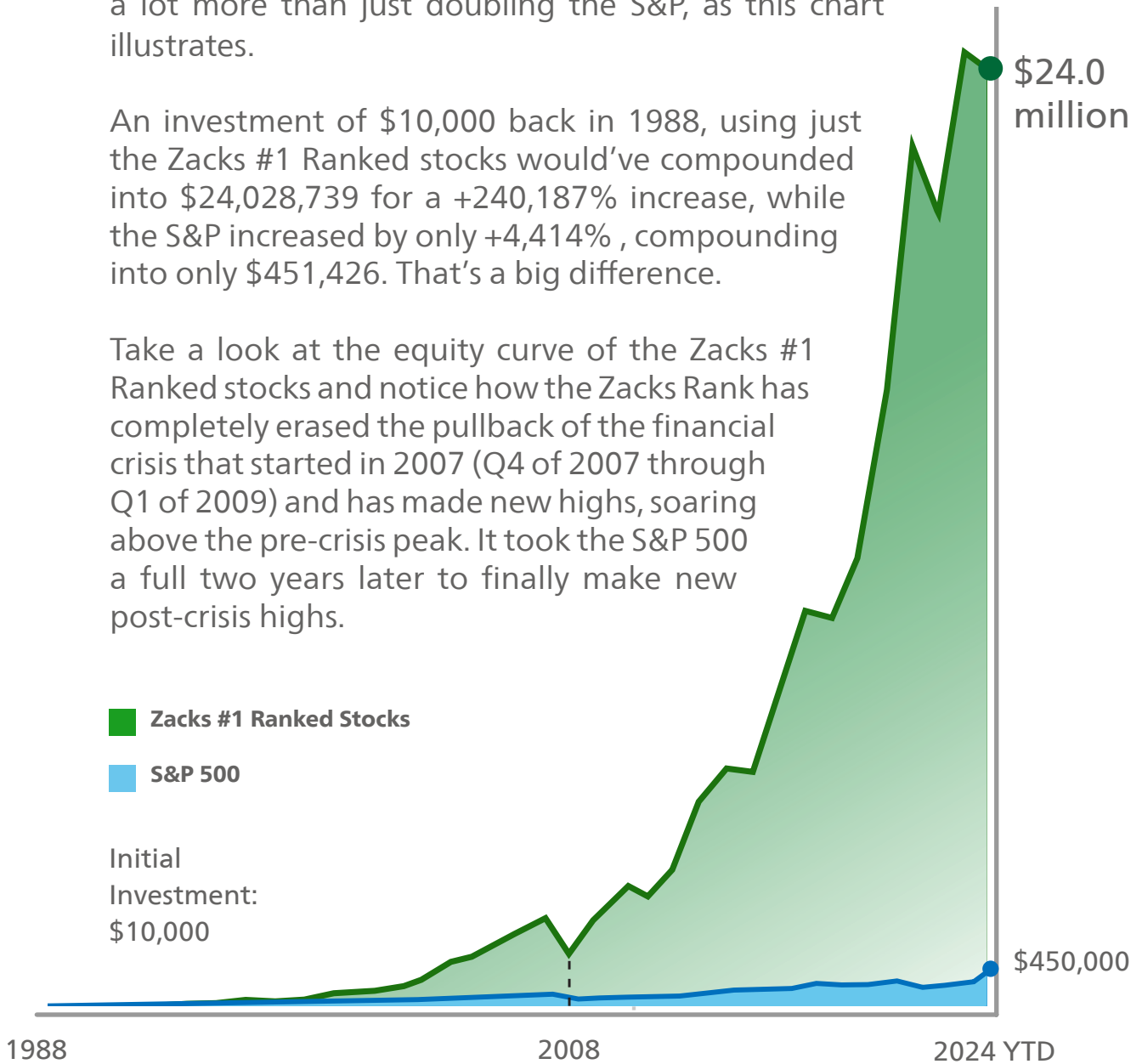
Year	#1 Rank	#2 Rank	#3 Rank	#4 Rank	#5 Rank	S&P 500
1988	+39.18%	+29.69%	+20.79%	+19.13%	+18.39%	+16.20%
1989	+39.58%	+26.84%	+15.85%	+9.55%	-5.10%	+31.70%
1990	-2.64%	-13.69%	-21.32%	-23.85%	-34.71%	-3.10%
1991	+81.36%	+56.80%	+45.98%	+36.60%	+34.35%	+30.40%
1992	+40.97%	+29.63%	+18.04%	+12.24%	+17.31%	+7.51%
1993	+45.26%	+26.86%	+14.78%	+8.59%	+9.54%	+10.07%
1994	+12.73%	+5.15%	-3.56%	-11.14%	-10.90%	+0.59%
1995	+52.56%	+46.84%	+30.63%	+17.35%	+9.11%	+36.31%
1996	+40.93%	+28.60%	+16.07%	+7.71%	+8.02%	+22.36%
1997	+43.91%	+33.87%	+22.93%	+10.17%	+3.05%	+33.25%
1998	+19.52%	+12.92%	-3.47%	-8.77%	-14.84%	+28.57%
1999	+45.92%	+35.53%	+31.02%	+18.46%	+17.69%	+21.03%
2000	+14.31%	-1.47%	-17.75%	-19.52%	-3.95%	-9.10%
2001	+24.27%	+11.70%	+14.09%	+17.93%	+20.20%	-11.88%
2002	+1.22%	-13.50%	-17.75%	-24.03%	-15.85%	-22.10%
2003	+67.03%	+69.52%	+64.91%	+54.96%	+54.38%	+28.69%
2004	+28.71%	+23.74%	+15.75%	+11.47%	+14.58%	+10.87%
2005	+18.80%	+12.57%	+6.75%	-0.51%	-5.95%	+4.90%
2006	+27.31%	+26.26%	+16.85%	+15.01%	+18.18%	+15.80%
2007	+19.71%	+5.37%	-4.31%	-13.07%	-24.04%	+5.49%
2008	-40.41%	-43.48%	-48.70%	-45.75%	-50.95%	-37.00%
2009	+65.85%	+84.19%	+78.79%	+60.36%	+49.41%	+26.46%
2010	+28.98%	+35.17%	+27.87%	+29.28%	+27.22%	+15.06%
2011	-3.79%	-4.89%	-13.47%	-18.58%	-21.37%	+2.11%
2012	+24.95%	+19.06%	+16.42%	+6.53%	+8.08%	+16.00%
2013	+47.48%	+37.24%	+30.56%	+23.89%	+17.99%	+32.39%
2014	+14.95%	+10.26%	1.20%	-3.97%	-14.36%	+12.88%
2015	0.00%	-0.94%	-11.01%	-13.78%	-19.01%	+0.23%
2016	+27.43%	+27.15%	+27.17%	+21.00%	+39.44%	+14.78%
2017	+28.31%	+23.17%	+15.11%	+16.28%	+13.00%	+21.44%
2018	-7.40%	-6.68%	-10.23%	-14.19%	-15.94%	-3.83%
2019	+23.82%	+27.13%	+17.43%	+20.07%	+17.11%	+29.36%
2020	+33.86%	+39.71%	+34.35%	+30.43%	+19.77%	+19.27%
2021	+41.10%	+30.90%	+16.00%	+8.90%	+10.30%	+28.70%
2022	-7.62%	-13.32%	-25.24%	-25.42%	-20.13%	-17.96%
2023	+20.63%	+18.54%	+14.63%	+9.21%	+20.23%	+24.83%
2024 YTD	-1.99%	+0.60%	+1.08%	-3.45%	-7.48%	+9.09%
Annual Average*	+23.68%	+17.55%	+9.21%	+4.93%	+2.36%	+10.96%

*Results measured from 1/1/1988 to 8/5/2024. For more information on how the Zacks Rank performance is calculated, go to: www.zacks.com/performance_disclosure.

Over time, this kind of outperformance can add up to a lot more than just doubling the S&P, as this chart illustrates.

An investment of \$10,000 back in 1988, using just the Zacks #1 Ranked stocks would've compounded into \$24,028,739 for a +240,187% increase, while the S&P increased by only +4,414% , compounding into only \$451,426. That's a big difference.

Take a look at the equity curve of the Zacks #1 Ranked stocks and notice how the Zacks Rank has completely erased the pullback of the financial crisis that started in 2007 (Q4 of 2007 through Q1 of 2009) and has made new highs, soaring above the pre-crisis peak. It took the S&P 500 a full two years later to finally make new post-crisis highs.



Implementing ways to consistently beat the market can quickly add up, helping investors transform their portfolios.

"I bought several stocks that appeared in the Number 1 listing that I continue to hold as 'core holdings.'"

Robert Taylor
Edisto Island, SC

Four Factors Behind the Zacks Rank

So how does Zacks use earnings estimates and earnings estimate revisions in the Zacks Rank? The Zacks Rank is calculated from four primary inputs: Agreement, Magnitude, Upside and Surprise.

Agreement

This is the extent to which all brokerage analysts are revising their earnings estimates in the same direction. The greater the percentage of analysts that are revising their estimates higher, the better the score will be for this component.

If 40% of the analysts are increasing their earnings estimates for a stock, whereas only 10% are increasing it for another stock, the higher the percentage of analysts making upward estimate revisions the better.

Magnitude

This is the size of the recent change in the current consensus estimate for the fiscal year and the next fiscal year.

A 5% increase in the earnings estimate revision is better than a 2% increase in the earnings estimate revision and will thus get a better score for this component.

Upside

This is the difference between the most accurate estimate as calculated by Zacks and the consensus estimate.

A bigger difference between the most accurate estimate and the consensus estimate is better.

Surprise

The Zacks Rank factors in the last few quarters' earnings per share (EPS) surprise as well.

Companies with a positive earnings surprise are more likely to surprise again in the future.

Each one of these components is given a raw score and it is recalculated every night. These raw scores are then compiled into the Zacks Rank and is made available to investors every day.

**"Recommendations
have been spot on. Nine
winners... +35% already."**

**Don T.
Sisters, OR**

This has made the process of identifying stocks with changing earnings estimates easy and very profitable, helping investors beat the market no matter what the market is doing.

Examples of the **Zacks Rank** in Action

Let's take a look at some practical examples of how the Zacks Rank can get you in and keep you in on some of the most profitable stocks.

Whether it's a widely known large-cap stock, little known small-cap stock, or somewhere in between, the Zacks Rank works and the steps to success are the same.

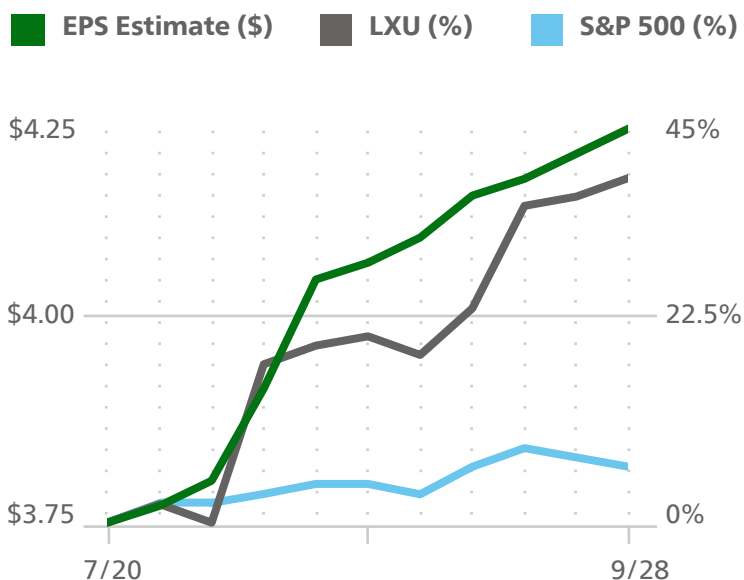


1 Anatomy of Success

Short-Term Trading

On July 20th, 2012, LXU, which had been in a trading range for months, got the signal that alerted investors that it was finally ready to breakout. That signal was the Zacks Rank #1 Strong Buy, which forecast that it would outperform the market over the next 1-3 months.

At that time, it was trading at \$32.03 with a 12 Month Forward Earnings Estimate of \$3.75. Two and a half months later, and a series of upward earnings estimate revisions, LXU had retained its Zacks Rank of 1, and gained for its investors a 36.97% return (at the time of this writing) vs. the S&P 500's only 5.73%.



Simply put, when earning estimates are going up, the stock should go up as well. And your best first alert that a company's outlook is improving, is a Zacks Rank of 1.

LSB Industries, Inc. (LXU) is a mid-cap blend (growth and value) stock in the Diversified Operations industry. They manufacture and sell chemical products for a wide range of industries including the agricultural, industrial, and automotive industries. Even though it's a 25 year old company, it's not one of those names most investors are familiar with, but it's definitely a name Zacks customers are familiar with now after embarking on a 36% gain in less than 2 1/2 months.

Symbol: **LXU**

Return: **36.97%**

Time frame: **2 1/2 Months**

36.97%
LXU's Return
while listed as a
Zacks Rank #1

5.73%
S&P 500's Return
during the same
time period

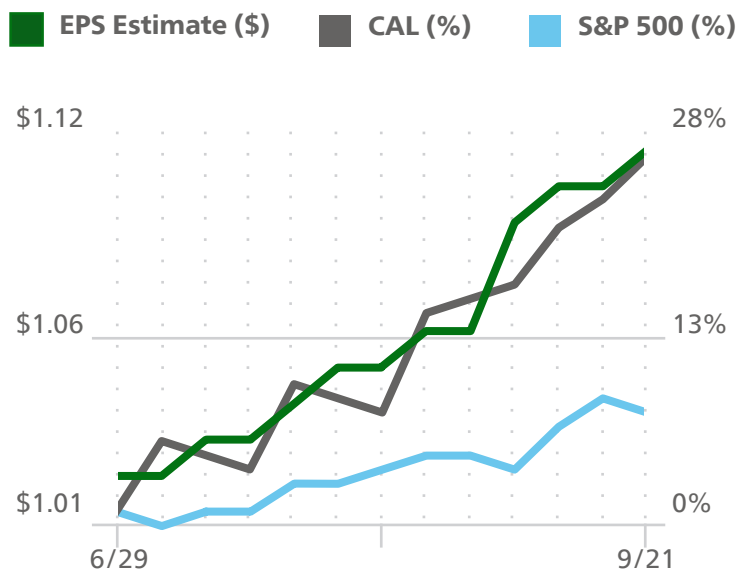
2 Anatomy of Success

Short-Term Trading

On June 29, 2012, CAL received a Zacks Rank of 1, distinguishing itself as a stock poised to outperform. Between 6/29/12 when it was trading at \$12.91 and 9/21/12 when it closed at \$16.11, CAL rewarded investors with a 24.79% gain in just under 3 short months compared to the market's 7.19%.

During that time, their 12 Month Forward Earnings Estimates continuously climbed higher from \$1.02 to \$1.11, producing a spectacular 433% positive EPS surprise, and marking a path for higher prices to follow.

Caleres, Inc. (CAL), formerly the Brown Shoe Company (BWS) is a small-cap value stock in the Shoes & Related Apparel industry that markets footwear in the United States, Canada, and China through their retail stores such as Famous Footwear, Naturalizer, and Dr. Scholls to name a few. This popular brand-name shoe company quickly became a top-performing stock as it more than tripled the market's return with a 24% gain within three short months.



Rising earnings estimates and rising prices go hand in hand. And the Zacks Rank makes these stocks easy to find.

Symbol: **CAL**

Return: **24.79%**

Time frame: **3 Months**

24.79%
CAL's Return
while listed as a
Zacks Rank #1

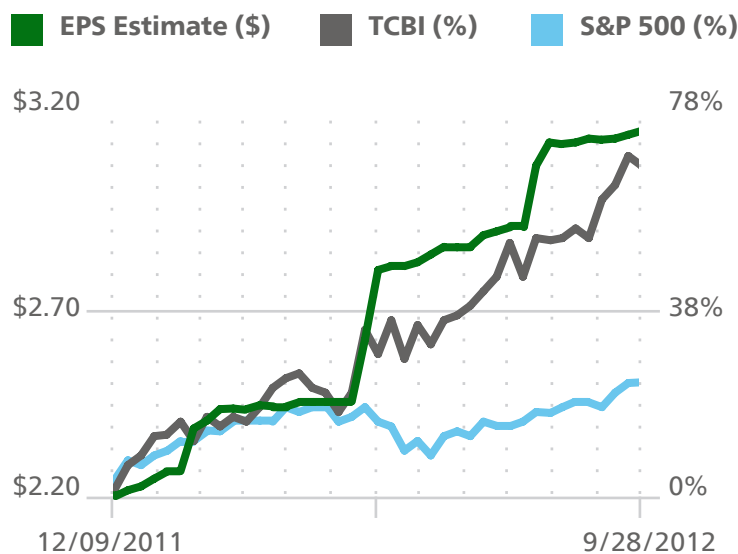
7.19%
S&P 500's Return
during the same
time period

3 Anatomy of Success

Long-Term Investing

On December 9, 2011, TCBI was singled out as a top stock when it received a Zacks Rank of 1. Between 12/9/11 when it was trading at \$31.77 and 9/28/12 when it closed at \$49.71, TCBI rewarded investors with a 71.71% gain in just 9 months compared to the market's 20.12%, for more than a 51% excess return!

During that time, their 12 Month Forward Earnings Estimates climbed from \$2.20 to \$3.16, which was a 43.64% increase and the clear catalyst for TCBI's stellar gains.



Once you're in a stock destined for greatness it's important to not get bucked off. But if earnings estimates continue to rise, that will give investors plenty of reason to push the stock higher, and keep you on board the entire time.

Texas Capital Bancshares, Inc. (TCBI) is one of those stocks that looked set to outperform over a 1-3 month time frame, but then turned into a longer-term position resulting in even more impressive gains. TCBI is a mid-cap blend (growth and value) stock in the Financial industry, operating as a regional bank headquartered in Texas.

Symbol: **TCBI**

Return: **71.71%**

Time frame: **9 Months**

71.71%

TCBI's Return
while listed as a
Zacks Rank #1

20.12%

S&P 500's Return
during the same
time period

How to Hold Onto the Winningest Stocks for Even Bigger Gains

The previous trading examples illustrate how the Zacks Rank can get you in on some of the most profitable opportunities over the short term (1-3 month period). The Zacks Rank has proven to be an excellent timing indicator. Short-term gains like these are taking place all the time and illustrate how the Zacks Rank #1 stocks have produced a +23.7% annual return.

"I cannot tell you how happy I am with this service and would recommend it to anyone..."

**Paul B.
Tulsa, OK**

But it's also great for getting into stocks that develop into longer-term trades and core holdings. By following the Zacks Rank and the trajectory of earnings estimate revisions, not only will you know when to buy, but also learn how to ride your best stocks for bigger gains. And when the time comes, know when to sell.

Integrating the **Zacks Rank** Into Your Investment Strategies

The Zacks Rank works well with all investment strategies and styles and can help improve performance. Here are suggestions on how to use the Zacks Rank with the four main investment styles: Momentum, Aggressive Growth, Value, and Growth & Income.

Momentum Traders and Investors look to take advantage of upward trends (or downward trends) in a stock's price or earnings. Momentum traders believe that these stocks will continue to head in the same direction because of the momentum that is already behind them. We've all heard the old adage, "the trend is your friend." And who doesn't like riding a trend? In fact, studies have shown that stocks making new highs have a tendency of making even higher highs.

The Zacks Rank #1 stocks are ideally suited for folks who rely on momentum or technical analysis because it can tip them off before most other systems. Rather than simply looking for price trends, the Zacks Rank is about "cause and effect". The cause of the move is positive revisions in earnings estimates. This upward shift in earnings estimates prompts more and more investors to take an interest in the company with the effect being that the shares in the company start on a bull run. Volume increases, as does the stock price.

Zacks Rank #1 stocks are ideally suited for those who rely on momentum or technical analysis because it can tip them off before most other indicators.

But simply relying on price movement alone often doesn't alert investors until after the move has already begun, costing active traders opportunities to maximize profits. Conversely, by focusing on earnings estimate revisions, the Zacks Rank can identify stocks that are likely to move upward in the future – before the breakout has occurred! In other words, the Zacks Rank helps traders get in ahead of the action.

Aggressive Growth Traders are primarily focused on stocks with aggressive earnings growth (or at least the potential for aggressive growth), which should propel their stock price higher in the future. You'll often find smaller-cap stocks in this category because these are typically newer companies that are in the early part of their growth cycle. But you'll also find plenty of mid-caps and large-caps too.

By concentrating on Zacks Rank #1 stocks, growth investors can easily screen for companies exhibiting these stellar growth rates with a likelihood of it continuing. The best part of the Zacks Rank is its ability to alert investors, at the earliest stages, that a company's prospects are looking very bright. And getting in early on an emerging growth story generally leads to strong investment returns.

Aggressive growth investors will find plenty of stocks exhibiting stellar growth rates by quickly scanning the list of Zacks Rank #1 stocks.

Many growth investors, however, make the mistake of looking for those with the highest growth rates possible. Unfortunately, many such companies underperform in spite of their outsized growth rates. A company with a 500% growth rate, that just received a downward estimate revision and now 'only' has a 400% growth rate, may still look good on the surface, but the growth rate was just reduced by a significant amount and therefore could see a price correction. The Zacks Rank, which focuses on earnings estimate revisions, notifies investors at the first sign of weakness (Zacks Rank of #4 or #5), providing the opportunity to lock-in profits and avoid unnecessary losses.

Value Investors are looking for good stocks at great prices. This does not mean they have to be cheap stocks in price however.

- The key is the belief that they are undervalued. That they are trading under their true value, i.e., 'fair value', or potential.
- And the value investor hopes to get in before the market corrects in the price, or in other words, goes higher. Many institutional investors focus on this very thing.

- Typical value investors will look at valuations like P/E ratios, PEG ratios, Price to Book ratios, etc.
- Too many 'value' stocks, however, have low valuations because they don't have compelling enough earnings or growth rates to speak of.

Zacks Rank #1s and #2s signal that earnings estimates are on the rise, prompting investors to view the stock as being undervalued relative to its future earnings prospects, and in turn, drive prices even higher.

- The key for value investors is really earnings, which is the basis of most valuation models. When the Zacks Rank signals a “Strong Buy” or “Buy” (Zacks Rank #1 or #2), that means earnings estimates for a stock are rising. Given this new information, other investors will likely view the stock as being undervalued relative to its future prospects. So, they jump in, which in turn drives the price of the stock higher.

- The beauty of the Zacks Rank is that it is also a timeliness indicator, meaning that value investors can use it to identify precisely when a company’s prospects are beginning to improve as opposed to waiting and waiting for business conditions to improve. And nothing can make an investor sit up and take notice of a stock faster than rising earnings estimates. Although, one should plan on holding onto these value gems a little longer than a typical Growth or Momentum investor, and consider keeping it as long as it remains a Zacks Rank #3 or better, and its other characteristics remain attractive, to maximize the upside returns.

Growth and Income Investors are generally looking for companies with solid revenue and that pay a good dividend. Oftentimes, these companies are more mature, larger-cap companies that pass along a portion of their earnings to their shareholders in the form of a dividend.

Some of these companies may not have the kinds of spectacular growth rates like some of the younger or smaller companies have (or like they themselves had when they were younger and earlier in their growth cycle). But many of these companies are generating huge amounts of cash, but because of their size, may not have the growth opportunities they once had. The key ingredients, however, for a growth & income investor, are the fundamentals such as earnings growth, strong management/leadership, excellent products and a competitive strategy.

There will be fewer Zacks Rank #1 stocks in this group, but there will be plenty of #2s, and you can include #3s for the larger-cap companies.

The most tangible proof that a company is worth holding for the long term is earnings and earnings growth. Not necessarily explosive growth, but steady and consistent growth. A company that has strong management and excellent products should be producing a steady stream of positive earnings estimate revisions. Here again earnings estimate revisions are the cornerstone of the Zacks Rank. Whenever you find positive earnings revisions, you will generally find a company moving in the right direction, and that is a candidate for long-term ownership. There may be fewer of these stocks in the Zacks Rank #1 group, but there will be plenty of #2s, and you might even consider some #3s for the larger-cap companies. But a decline to a Zacks Rank #4 or #5 can be an early warning that business conditions are worsening and therefore that it is time to take profits and get out.

"Your portfolio is hands down better than any other I have tried."

**Christopher M.
York, ME**

Putting the **Zacks Rank** to Work for You

The more top-ranked stocks you own, the better your performance will be. The +23.7% annual return of the Zacks Ranked #1 stocks provides a strong testament to this fact.

Moreover, stocks with a new Zacks Rank #1 have some of the biggest profit potential, while those losing their Zacks Rank #1 (e.g. #4 or #5) have the worst. So it pays to stay on top of the Zacks Rank for your stocks.

Zacks Free Portfolio Tracker

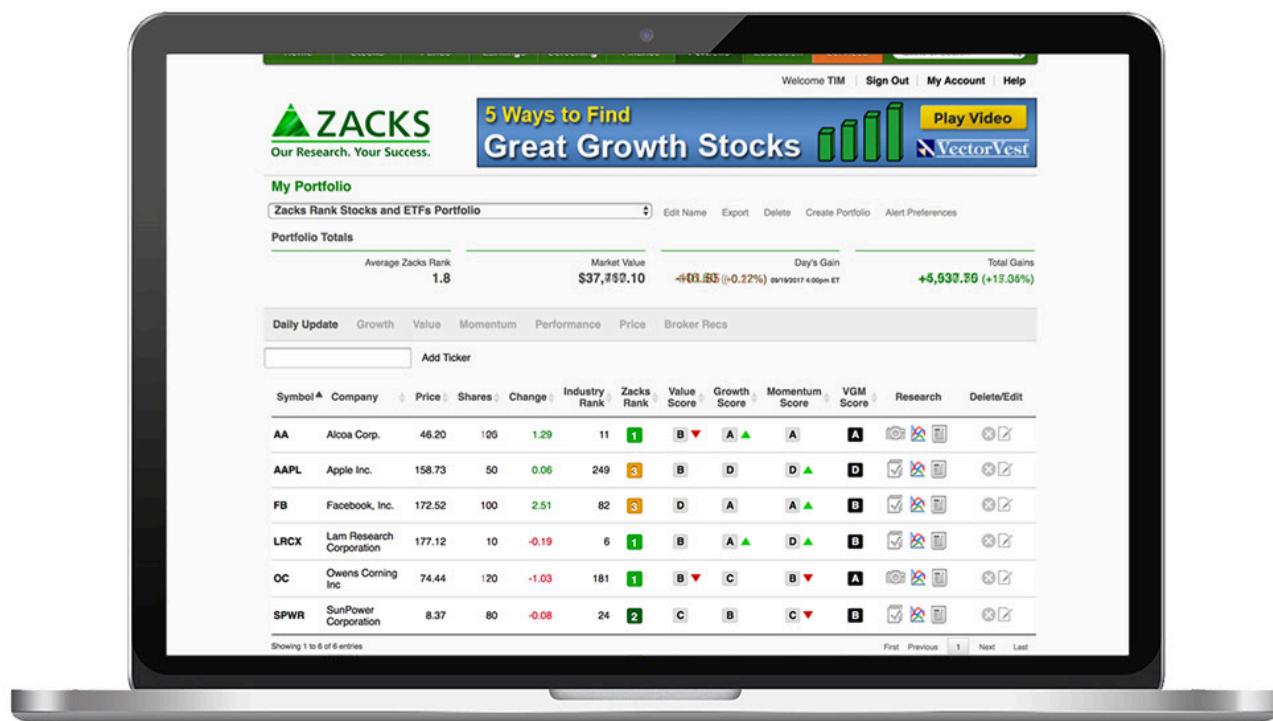
The easiest way to see the current Zacks Rank for your stocks is by setting up a free portfolio tracker on Zacks.com. If you don't already have one established, then follow these easy steps:

1 Go to My Portfolio page at:
<https://www.zacks.com/portfolios/my-stock-portfolio/>

2 Sign up or Sign in.

3 Name it, insert your stocks
...and you're done!

You have just setup one of the most powerful Zacks Rank monitoring systems available. When finished, you will see an online display like the one below.



Once you have a portfolio established on Zacks.com, you will receive Daily Portfolio Update emails on the weekdays of your choice. There you will see all the vital news and information affecting your stocks, including:

- ▲ **Daily Zacks Rank Changes**
- ▲ **Earnings Estimate Revisions**
- ▲ **Earnings Surprises**
- ▲ **Broker Recommendation Changes**
- ▲ **Latest Company News**
- ▲ **So much more...**

Pick and choose from the different portfolio views so you can see all of your favorite information, including a Sector/Industry view so you can also stay on top of which groups have the best Zacks Rank.

Through these daily updates, you can quickly discover which of your current stocks to hold, and which stocks need to be sold.

The free Zacks portfolio tracker is the only way to stay up to date on your stocks' Zacks Rank. Begin the habit of starting your trading day by checking on your stocks' Zacks Rank every morning.

And don't just stop at your current portfolio. Create a watch list as well and see how those stocks you're considering are shaping up. When they become a Zacks Rank #1, jump on them. If they drop to a Zacks Rank #4 or #5, save yourself the heartache and skip those. Regardless of how much you may like them, stay out and focus on those with the highest probability of success. And confidently buy stocks that go up when you do.

In addition to monitoring your current stocks' Zacks Rank, we'll also alert you to a fresh Zacks Rank #1 stock to consider each weekday. You can access this stock on the Zacks.com home page and in your daily *"Profit from the Pros"* email newsletter.

Some of these stocks may be names you recognize. Others may be brand new to you. Either way, you're going to want to know about them.

One of the reasons why so many people do not get the kinds of returns they want from their investments is because they don't know of new stocks to get into. They find themselves in mediocre stocks because they don't know of anything better instead. For some, it's because their knowledge or 'universe' of familiar stocks is relatively small and this limits their opportunity of getting into better ones.

By checking out the new Zacks Rank #1 Strong Buy each day, you'll never be in the dark again. And the next time you read or hear about a stock that has skyrocketed in price; instead of thinking: "I could have been in that had I known about it", this time, you just might be in it!

[Set up your free portfolio tracker today, and put the Zacks Rank to work for you.](#)

From all of us at Zacks, thank you and good investing!

"I would say, joining Zacks is the best of the investment decisions I ever made."

Venugopal V. Nair
Singapore

Copyright 2024 Zacks Investment Research

This Special Report has not been authorized, sponsored, or otherwise approved or endorsed by the companies represented herein. Each of the company names represented herein are trademarks of LSB Industries, Inc.; Caleres Inc.; Texas Capital Bancshares, Inc.

Zacks.com provides investment resources and informs you of these resources, which you may choose to use in making your own investment decisions. Zacks is providing information on this resource to you subject to the Zacks "Terms of Service". www.zacks.com/terms_of_service

***Past performance is no guarantee of future results. Inherent in any investment is the potential for loss.** This material is being provided for informational purposes only and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. No recommendation or advice is being given as to whether any investment is suitable for a particular investor. It should not be assumed that any investments in securities, companies, sectors or markets identified and described were or will be profitable. All information is current as of the date of herein and is subject to change without notice. Any views or opinions expressed may not reflect those of the firm as a whole. Zacks Investment Research is not a licensed securities dealer, broker or US investment adviser or investment bank. The Zacks #1 Rank Performance covers a period beginning on January 1, 1988 through August 5, 2024. These returns are from hypothetical portfolios consisting of stocks with Zacks Rank #1 that were rebalanced monthly (see additional details regarding rebalancing below) with zero transaction costs. These are not the returns of actual portfolios of stocks. Zacks Rank #1 stock-rating system returns are computed monthly based on the beginning of the month and end of the month Zacks Rank #1 stock prices plus any dividends received during that particular month. A simple, equally-weighted average return of all Zacks Rank #1 stocks is calculated to determine the monthly return. The monthly returns are then compounded to arrive at the annual return. Only Zacks Rank #1 stocks included in Zacks hypothetical portfolios at the beginning of each month are included in the return calculations. Zacks Rank #1 stocks can, and often do, change throughout the month. Certain Zacks Rank #1 stocks for which no month-end price was available, pricing information was not collected, or for certain other reasons have been excluded from these return calculations. The S&P 500 is an unmanaged index. Visit www.zacks.com/performance_disclosure for information about the performance numbers displayed above.