

AlphaScreens: the might of momentum

13 December 2021

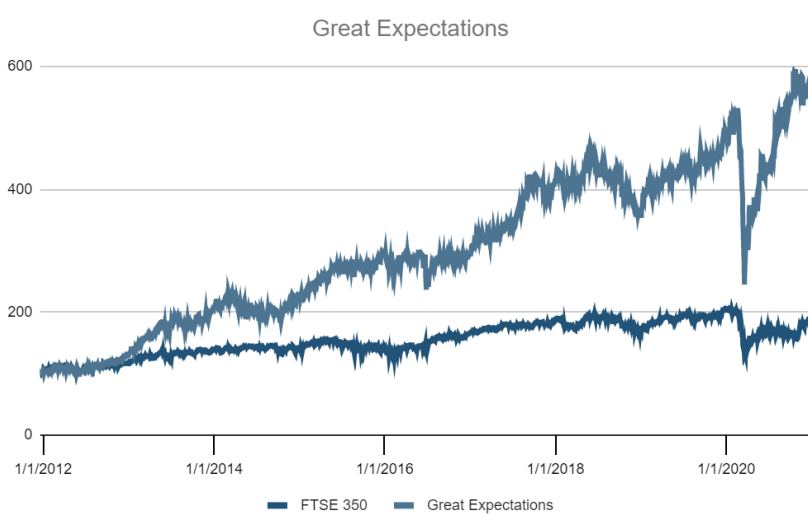
Companies on course for now despite Omicron threat

Momentum strategies show persistent outperformance. We run our Alpha momentum screen across three indices: FTSE All-Share, All Small and Aim

- Markets clearly have a lot to try and price in on fears of even more restrictive measures to delay the inevitable spread of the Omicron coronavirus. In such an environment there is always a danger that earnings forecasts are revised suddenly, so our earnings forecast and upgrade momentum screen results could be rapidly undermined and changed. Share prices may reflect the market's concerns fastest, so the one month momentum test is worth paying particular attention to and most importantly, all screen ideas need to be further scrutinised before buying shares on the strength of them.
- Top of the pile on our FTSE All Share screen is luxury retail business Watches of Switzerland Group (WOSG), the company passes all eight tests. It has enjoyed impressive momentum since Robin Hardy took a deep dive into the company in his [Alpha report](#) in June, although when Investors' Chronicle [last updated](#) on the company earlier this month, the expanding valuation multiple was becoming more of a concern.
- Second on the FTSE All Share list is Auto Trader Group (AUTO). The shares have done well on the basis of re-opening tailwinds, so this may be one to approach with caution. Certainly, when we last took a [deeper look](#) at the company in our Alpha analysis, longer term structural demand trends and potential for increased competition were still viewed with concern.
- On Aim, online security specialist Kape Technologies (KAPE) is top of the screen. This is an example of a company that had a bit of negative history in a previous incarnation (Crossrider) but when we [wrote about it last month](#), the conclusion was it has decent prospects and didn't warrant a discount valuation to other cybersecurity businesses. The market appears to be catching onto that view, with 3-month share price momentum of almost 14 per cent.

Great expectations

The Alpha momentum screens apply the idea of momentum not only to share price performance, but also to expected profit growth. The screen looks for strong forecast earnings per share (EPS) growth, but more importantly it looks for an improving trend in broker expectations. Indeed, EPS forecast upgrades can be considered the screen's primary focus.



Source: Refinitiv, Investors Chronicle

The Alpha momentum screen is conducted separately on constituents of the FTSE All-Share, FTSE All Small and FTSE Aim All-Share indices, with the results from each screen reported in separate tables. The screen looks for stocks displaying three characteristics, each of which are tested using a few different criteria.

- **Earnings upgrade momentum:** EPS upgrades over the past 12 months of at least 10 per cent for both the current financial year and next financial year.
- **Earnings momentum:** Forecast EPS growth of at least 10 per cent in the current financial year and next financial year.
- **Price momentum:** Studies have found that the longer price momentum has persisted the more likely it is to be 'stale' and set to reverse. The Alpha momentum screen tests for strong share price performance over four different periods, which helps check price momentum remains fresh.

Large-cap momentum selection (passing at least 6 of 8 tests)

Name	TIDM	Mkt cap	Price	Fwd NTMPE	Av 12-mth EPS upgrade	DY	FwdEPS grth FY+1	FwdEPS grth FY+2	3-mth mom	Net cash/debt (-) in GBP	Tests passed (out of 8)	Test failed
Watches of Switzerland	WOSG	£3,391m	1,416p	30	53%	0.0%	70.4%	28.5%	37.5%	-113m	8	na
Auto Trader	AUTO	£6,964m	734p	27	14%	1.0%	89.7%	10.9%	14.3%	21m	8	na
St. James's Place	STJ	£8,692m	1,608p	20	49%	3.1%	32.8%	21.9%	-2.1%	-	8	na
Medica	MGP	£202m	165p	18	16%	1.6%	119.3%	23.2%	-1.2%	0m	8	na
IMI	IMI	£4,593m	1,762p	18	20%	1.3%	13.5%	11.9%	-2.2%	-376m	8	na
Pendragon	PDG	£307m	22p	7	115%	0.0%	673.1%	-29.2%	21.5%	-914m	7	>10% EPSgrth FY+2/
Airtel Africa	AAF	£4,762m	127p	11	60%	2.6%	74.4%	17.7%	34.7%	-1,427m	7	/1mthMom/
Royal Dutch Shell Plc Class ARDSA	£127,700m	1,660p	7	70%	3.6%	304.9%	27.4%	17.0%	-30,814m	7	/1yrMom/	
Marks and Spencer	MKS	£4,642m	237p	12	41%	0.0%	1364.4%	-9.9%	26.6%	-1,603m	7	>10% EPSgrth FY+2/
Glencore	GLEN	£48,600m	368p	7	235%	3.1%	311.8%	1.6%	9.5%	-27,711m	7	>10% EPSgrth FY+2/
Ferguson	FERG	£27,394m	12,405p	20	33%	1.4%	18.8%	5.7%	17.4%	-2,523m	7	>10% EPSgrth FY+2/
Treatt	TET	£732m	1,225p	43	30%	0.6%	14.0%	6.8%	22.5%	-23m	7	>10% EPSgrth FY+2/
Frasers	FRAS	£3,681m	733p	17	62%	0.0%	-	11.2%	9.9%	-487m	7	>10% EPSgrth FY+1/
Safestore	SAFE	£2,874m	1,363p	31	29%	1.5%	32.1%	8.2%	22.9%	-	7	>10% EPSgrth FY+2/
Robert Walters	RWA	£588m	768p	16	48%	2.1%	406.5%	26.0%	10.2%	-38m	7	/1mthMom/
Indivior	INDV	£1,604m	227p	14	30%	0.0%	95.4%	43.2%	15.8%	189m	7	/1mthMom/
TBC Bank	TBCG	£865m	1,568p	5	54%	2.2%	162.2%	0.7%	8.4%	-	7	>10% EPSgrth FY+2/
Big Yellow	BYG	£3,076m	1,672p	32	17%	2.2%	19.3%	7.0%	14.8%	-27m	7	>10% EPSgrth FY+2/
Croda International	CRDA	£14,524m	10,410p	41	17%	0.9%	35.0%	8.0%	13.4%	-239m	7	>10% EPSgrth FY+2/
IntegraFin	IHP	£1,956m	591p	29	20%	1.5%	22.0%	18.1%	10.4%	-	7	/1yrMom/
Ashtead	AHT	£27,649m	6,200p	23	30%	0.7%	45.2%	17.2%	6.3%	-738m	7	/1mthMom/
OSB	OSB	£2,328m	519p	7	26%	2.8%	33.7%	-4.2%	7.7%	-	7	>10% EPSgrth FY+2/
Electrocomponents	ECM	£5,581m	1,185p	24	18%	1.9%	44.2%	12.5%	6.9%	-433m	7	/1mthMom/
Record	REC	£163m	82p	17	18%	3.6%	58.4%	19.2%	6.5%	-	7	/6mthMom/
PageGroup	PAGE	£2,115m	644p	16	81%	4.9%	-	20.1%	1.1%	-63m	7	>10% EPSgrth FY+1/
SThree	STEM	£730m	546p	17	39%	1.5%	144.7%	10.3%	-0.5%	-130m	7	/1mthMom/
Bank of Georgia	BGEO	£758m	1,606p	5	26%	2.1%	147.7%	8.0%	0.4%	-	7	>10% EPSgrth FY+2/
Redrow	RDW	£2,429m	690p	8	29%	3.6%	22.6%	1.8%	-1.1%	-607m	7	>10% EPSgrth FY+2/
Redde Northgate	REDD	£1,045m	425p	10	14%	4.2%	32.4%	6.7%	0.0%	-264m	7	>10% EPSgrth FY+2/
DWF	DWF	£358m	110p	10	14%	4.1%	35.0%	16.5%	-3.5%	-126m	7	/3mthMom/
Vitec	VTC	£666m	1,440p	18	36%	1.1%	652.0%	19.0%	-8.6%	-97m	7	/3mthMom/
Liontrust Asset Mgmt	LIO	£1,329m	2,170p	17	27%	2.7%	42.7%	17.0%	-11.6%	-	7	/3mthMom/
Royal Dutch Shell Plc Class B RDSB	£127,700m	1,656p	7	70%	3.6%	297.8%	27.5%	16.2%	-30,814m	6	/1yrMom/1mthMom/	
HSBC	HSBA	£89,173m	439p	9	36%	3.6%	102.2%	-7.3%	16.8%	-	6	>10% EPSgrth FY+2/1yrMom/
3i Group	III	£13,552m	1,393p	5	76%	2.9%	67.4%	-25.0%	7.1%	-	6	>10% EPSgrth FY+2/1yrMom/
NatWest	NWVG	£24,388m	216p	10	208%	2.8%	-	-14.6%	4.3%	-	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Tesco	TSCO	£21,836m	284p	13	20%	3.2%	175.4%	4.2%	11.8%	-12,022m	6	>10% EPSgrth FY+2/1yrMom/
Man Group	EMG	£3,063m	219p	11	73%	3.7%	118.2%	-19.0%	3.6%	-	6	>10% EPSgrth FY+2/1mthMom/
Greggs	GRG	£3,136m	3,078p	26	92%	0.5%	-	7.4%	3.2%	-107m	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
JD Sports Fashion	JD	£11,348m	220p	21	32%	0.1%	58.8%	4.8%	4.9%	-591m	6	>10% EPSgrth FY+2/1mthMom/
Royal Mail	RMG	£4,837m	485p	8	121%	3.4%	20.3%	0.5%	2.5%	-1,150m	6	>10% EPSgrth FY+2/6mthMom/
Next	NXT	£10,968m	8,250p	15	24%	0.0%	128.5%	9.4%	4.2%	-578m	6	>10% EPSgrth FY+2/1yrMom/
Diploma	DPLM	£4,140m	3,322p	36	15%	1.3%	7.2%	6.8%	5.7%	-152m	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
CRH	CRH	£29,284m	3,794p	15	25%	2.2%	35.5%	8.0%	3.1%	187m	6	>10% EPSgrth FY+2/1yrMom/
Morgan Sindall	MGNS	£1,164m	2,510p	12	36%	2.8%	106.8%	-6.6%	-2.7%	-578m	6	>10% EPSgrth FY+2/3mthMom/
Taylor Wimpey	TW	£6,110m	168p	9	18%	4.9%	169.8%	8.2%	-0.4%	-188m	6	>10% EPSgrth FY+2/1yrMom/
Ninety One	N91	£1,618m	260p	13	15%	5.2%	14.1%	3.2%	-0.3%	-	6	>10% EPSgrth FY+2/1yrMom/
Future	FUTR	£4,357m	3,612p	22	65%	0.1%	20.3%	7.0%	-5.7%	134m	6	>10% EPSgrth FY+2/3mthMom/
Spirax-Sarco Engineering	SPX	£11,854m	16,070p	47	19%	0.8%	28.2%	5.1%	-2.5%	18m	6	>10% EPSgrth FY+2/3mthMom/
Vistry Group	VTY	£2,561m	1,152p	8	13%	3.5%	137.7%	13.9%	-2.6%	-625m	6	/6mthMom/3mthMom/
Biffa	BIFF	£1,087m	356p	16	34%	0.6%	153.2%	24.2%	-6.4%	-317m	6	/3mthMom/1mthMom/
Pets At Home	PETS	£2,337m	467p	20	27%	2.1%	55.0%	11.9%	-6.0%	-195m	6	/1yrMom/3mthMom/

Source: FactSet, 13 December 2021

Small-cap momentum selection (passing at least 6 of 8 tests)

Name	TIDM	Mkt Cap	Price	Fwd NTM PE	Av 12mth EPS Upgrade	DY	Fwd EPS grth FY+1	Fwd EPS grth FY+2	3-mth mom	Net Cash/Debt (-) in GBP	Tests passed (out of 8)	Test Failed
Centaur Media	CAU	£82m	56p	24	565%	1.8%	256.2%	122.6%	10.9%	-10m	8	na
Medica	MGP	£202m	165p	18	16%	1.6%	119.3%	23.2%	-1.2%	0m	8	na
Pendragon	PDG	£307m	22p	7	115%	0.0%	673.1%	-29.2%	21.5%	-914m	7	/>10% EPSgrth FY+2/
Treatt	TET	£732m	1,225p	43	30%	0.6%	14.0%	6.8%	22.5%	-23m	7	/>10% EPSgrth FY+2/
Robert Walters	RWA	£588m	768p	16	48%	2.1%	406.5%	26.0%	10.2%	-38m	7	/1mthMom/
Record	REC	£163m	82p	17	18%	3.6%	58.4%	19.2%	6.5%	-	7	/6mthMom/
Bank of Georgia	BGEO	£758m	1,606p	5	26%	2.1%	147.7%	8.0%	0.4%	-	7	/>10% EPSgrth FY+2/
SThree	STEM	£730m	546p	17	39%	1.5%	144.7%	10.3%	-0.5%	-130m	7	/1mthMom/
DWF	DWF	£358m	110p	10	14%	4.1%	35.0%	16.5%	-3.5%	-126m	7	/3mthMom/
Vitec	VTC	£666m	1,440p	18	36%	1.1%	652.0%	19.0%	-8.6%	-97m	7	/3mthMom/

Source: FactSet, 13 December 2021

Aim momentum selection (passing at least 6 of 8 tests)

Name	TIDM	Mkt Cap	Price	Fwd NTM PE	Av 12mth EPS Upgrade	DY	Fwd EPS grth FY+1	Fwd EPS grth FY+2	3-mth mom	Net Cash/Debt (-) in GBP	Tests passed (out of 8)	Test Failed
Kape Technologies	KAPE	£1,220m	405p	14	93%	0.0%	73.4%	61.6%	13.8%	-22m	8	na
Victoria	VCP	£1,367m	1,170p	26	31%	0.0%	32.6%	23.6%	15.3%	87m	8	na
Lok'nStore	LOK	£271m	905p	27	126%	1.7%	193.6%	11.0%	7.1%	2m	8	na
YouGov	YOU	£1,732m	1,555p	57	18%	0.4%	24.7%	25.5%	14.3%	-32m	8	na
Cerillion	CER	£248m	840p	27	143%	0.8%	18.3%	19.9%	3.1%	3m	8	na
Tatton Asset Mgmt	TAM	£348m	591p	29	19%	1.9%	23.4%	15.9%	10.9%	-	8	na
Frenkel Topping	FEN	£87m	77p	20	41%	1.8%	146.0%	29.0%	4.8%	-	8	na
Marlowe	MRL	£763m	923p	22	27%	0.0%	48.3%	23.7%	5.1%	-37m	8	na
Sureserve	SUR	£151m	94p	12	30%	1.1%	66.4%	20.6%	2.2%	-38m	8	na
Serica Energy	SQZ	£624m	232p	3	349%	1.5%	2097.1%	6.0%	36.8%	-6m	7	/>10% EPSgrth FY+2/
Marshall Motor	MMH	£307m	392p	15	100%	2.3%	143.4%	-51.0%	52.5%	-471m	7	/>10% EPSgrth FY+2/
Vertu Motors	VTU	£255m	70p	9	192%	0.9%	190.3%	-57.6%	28.6%	-656m	7	/>10% EPSgrth FY+2/
Hotel Chocolat	HOTC	£730m	532p	38	60%	0.0%	180.1%	26.1%	43.8%	-42m	7	/1yrMom/
Atalaya Mining	ATYM	£574m	415p	6	63%	7.1%	309.4%	-13.5%	30.9%	-77m	7	/>10% EPSgrth FY+2/
CentralNic	CNIC	£369m	147p	17	25%	0.0%	12.3%	8.8%	39.3%	-48m	7	/>10% EPSgrth FY+2/
Elixir International	ELIX	£328m	710p	29	25%	0.3%	48.2%	8.4%	22.4%	7m	7	/>10% EPSgrth FY+2/
iEnergizer Limited	IBPO	£608m	320p	11	70%	5.2%	36.1%	22.8%	7.7%	11m	7	/1yrMom/
Wynnstay	WYN	£111m	548p	14	20%	2.7%	56.3%	-7.2%	10.7%	-38m	7	/>10% EPSgrth FY+2/
Premier Miton	PMI	£302m	192p	11	21%	5.2%	10.5%	12.4%	9.1%	-	7	/1yrMom/
Cake Box	CBOX	£144m	360p	23	17%	1.7%	48.6%	12.8%	5.9%	0m	7	/1mthMom/
Keystone Law	KEYS	£253m	810p	38	28%	1.9%	31.4%	5.8%	3.4%	-8m	7	/>10% EPSgrth FY+2/
Midwich Group	MIDW	£561m	632p	24	22%	1.0%	94.8%	23.6%	2.8%	-125m	7	/1yrMom/
Ergomed	ERGO	£747m	1,520p	42	14%	0.0%	29.4%	13.8%	3.1%	-15m	7	/1yrMom/
Brickability	BRCK	£307m	103p	12	29%	2.0%	35.4%	26.7%	-1.0%	-32m	7	/1mthMom/
Duke Royalty Ltd	DUKE	£159m	44p	16	18%	4.9%	6.1%	13.5%	-2.7%	-	7	/>10% EPSgrth FY+1/
Gresham	GHE	£340m	895p	19	18%	0.7%	29.0%	13.6%	-4.8%	-	7	/1yrMom/
Belvoir	BLV	£96m	259p	14	23%	3.5%	39.0%	-7.4%	-6.0%	-	7	/>10% EPSgrth FY+2/
K3 Capital	K3C	£243m	333p	16	14%	2.7%	8.4%	22.6%	-5.4%	-	7	/>10% EPSgrth FY+1/
Sanderson Design	SDG	£125m	176p	13	54%	0.4%	53.1%	10.9%	-17.2%	-8m	7	/3mthMom/
Enwell Energy	ENW	£113m	35p	6	197%	0.0%	859.5%	-16.3%	11.7%	39m	6	/>10% EPSgrth FY+2/1yrMom/
M.P.Evans	MPE	£459m	840p	14	97%	3.2%	187.0%	-24.4%	12.9%	-32m	6	/>10% EPSgrth FY+2/1yrMom/
PetroTal	PTAL	£175m	20p	2	114%	0.0%	-	50.5%	11.7%	-36m	6	/>10% EPSgrth FY+1/1mthMom/
Jadestone Energy	JSE	£381m	82p	6	51%	1.5%	-	156.5%	7.9%	20m	6	/>10% EPSgrth FY+1/1yrMom/
Allergy Therapeutics	AGY	£221m	35p	-	170%	0.0%	-	-	3.0%	22m	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Central Asia Metals	CAML	£431m	245p	7	46%	6.5%	95.4%	3.1%	4.9%	-14m	6	/>10% EPSgrth FY+2/1yrMom/
EKF Diagnostics	EKF	£365m	79p	22	108%	0.0%	53.3%	-3.6%	0.8%	2m	6	/>10% EPSgrth FY+2/1yrMom/
Finsbury Food	FIF	£125m	96p	9	20%	2.5%	19.2%	0.5%	5.5%	-57m	6	/>10% EPSgrth FY+2/1yrMom/
Renew Holdings	RNVH	£686m	872p	16	16%	1.8%	8.0%	2.2%	3.8%	-230m	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Next Fifteen Comm.	NFC	£1,039m	1,120p	20	25%	0.9%	30.1%	7.2%	1.8%	-85m	6	/>10% EPSgrth FY+2/1mthMom/
Begbies Traynor	BEG	£205m	135p	14	14%	2.2%	32.8%	10.2%	3.1%	-31m	6	/1yrMom/1mthMom/
Focusrite	TUNE	£937m	1,598p	33	67%	0.3%	-15.5%	2.9%	-4.6%	-8m	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Craneware	CRW	£853m	2,400p	37	27%	1.1%	25.2%	8.6%	-2.8%	135m	6	/>10% EPSgrth FY+2/1yrMom/
Alumasc	ALU	£86m	238p	10	42%	4.0%	1.2%	6.8%	-5.9%	-19m	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Gateley (Holdings)	GTLY	£256m	215p	14	30%	3.5%	6.5%	10.2%	-8.9%	-13m	6	/>10% EPSgrth FY+1/1yrMom/
Animalcare	ANCR	£207m	345p	27	17%	1.2%	10.8%	7.2%	-14.6%	-14m	6	/>10% EPSgrth FY+2/3mthMom/

Source: FactSet, 13 December 2021

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