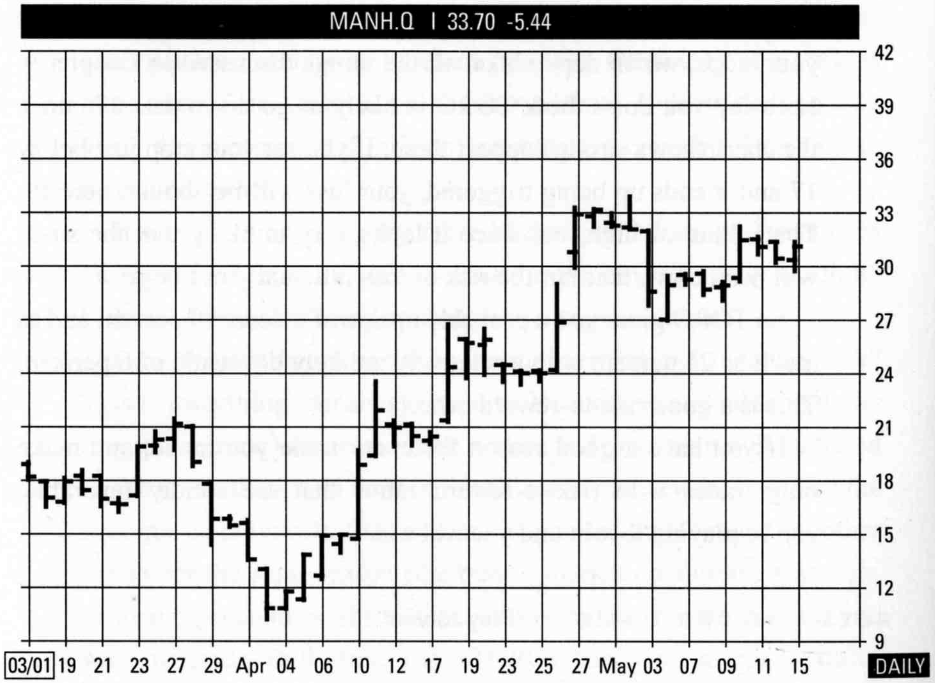
number"), its stock usually begins to rise in price, starting about two weeks before the earnings announcement is scheduled to take place. A stock's price can go up as much as 50 percent to 100 percent or more in anticipation of a good earnings report.



Earning trend. MANH's price rose over 160 percent in the three weeks preceding its earnings announcement on April 26.
Chart provided by TradePortal.com, Inc.

Of course, if a company gives an earnings warning, its stock may not be as good a candidate for the earnings-run play. In the right market environment, though, the earnings trend may work in spite of everything.

For me, the *only* way to trade an earnings run is to *always, always, always sell the stock before the earnings announcement*. Percentagewise, *holding a stock through its earnings announcement is a losing play*. Stocks often drop like stones right after earnings are announced, even if the report is good, because the good news was fully priced into the stock before the announcement. *Remember, buy the rumor, sell the news!* Stocks *occasionally* continue to climb after earnings, but if you were to consistently hold over earnings, you'd lose money *many* more times than not, and that's a loser's game. And your losses would be large, because most companies announce earnings either after the market closes or before the market opens, so prices can plummet in premarket trading and you'll have no way to escape the devastation. In fact, I usually sell early because stocks sometimes start to sell off toward the end of the last day before the earnings announcement.

Always remember that your goal is to take control of your money. *Never leave it in a situation over which you have no control*. Since you have absolutely no control over the earnings report a company will give, you should never, *never* hold over earnings.

WAXIE'S STREET SMARTS

Always sell a stock before it announces earnings.

RULES OF THE GAME Buy the rumor, sell the news.

Stock splits

Another strong and lasting trend is for the stock of a company that's announced a stock split to run up into the split's ex-date. Though the inherent value of a company is not literally enhanced by a stock split, as discussed in Chapter 4, stocks that are about to split will typically outperform the market. Although this pattern usually begins ten days to two weeks before the stock's ex-date, it's a good idea to wait for the stock to start to ramp up before entering a position. The runup will generally continue into the ex-date and sometimes for a day or