



## Relative Value Report 7/31/2020

The Relative Value Report provides guidance on which sectors, factors, indexes, and bond classes are likely to outperform or underperform its appropriate benchmark.

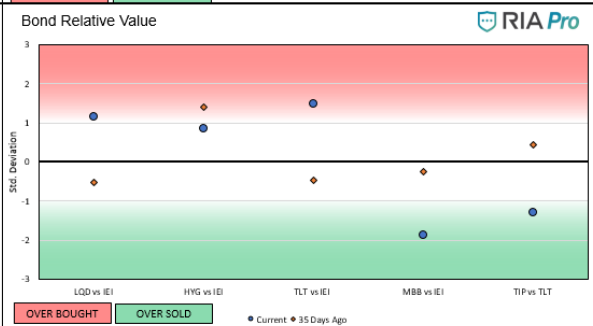
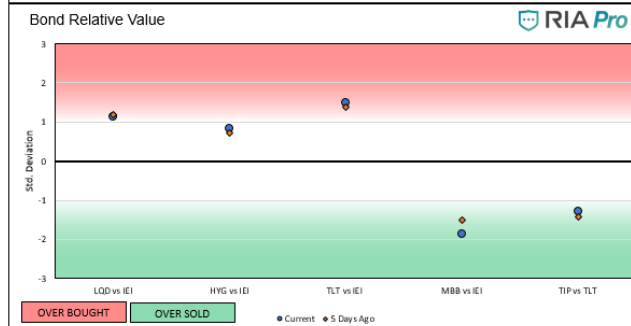
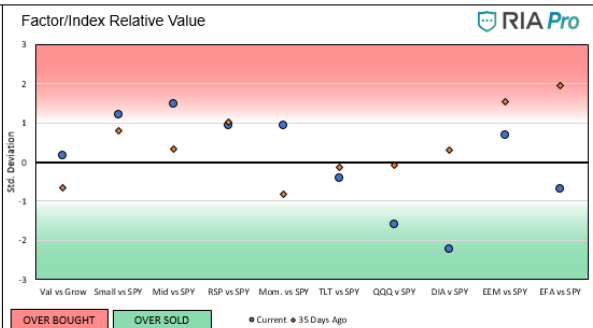
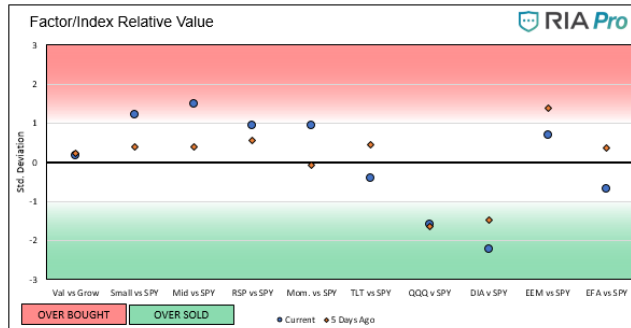
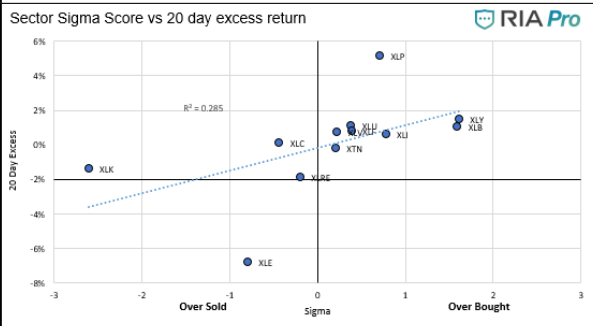
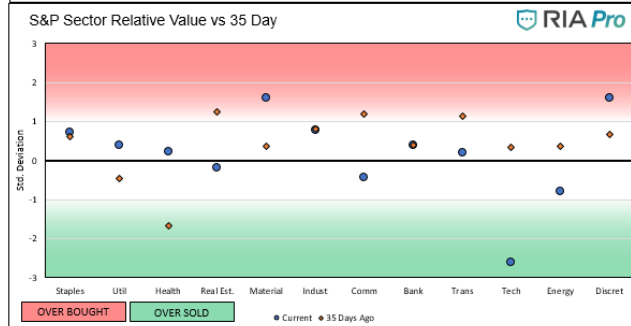
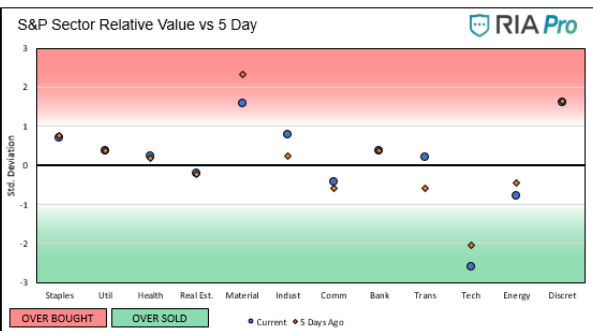
Click on the [Users Guide](#) for details on the model's relative value calculations as well as guidance on how to read the graphs.

*This report is just one of many tools that we use to assess our holdings and decide on potential trades. Just because this report may send a strong buy or sell signal, we may not take any action if it is not affirmed in the other research and models we use.*

### Commentary

- Technology (XLK) is now the most relatively oversold sector. However, on an absolute basis XLK is close to fair value. We explain this divergence a little further down. Because of XLK's relative weakness, we rotated slightly from industrials and transportation to the technology sector.
- Staples, Utilities, Healthcare, Real estate, Financials, and Discretionary barely moved over the last five days.
- Despite poor performance, energy is just slightly relatively oversold. We attribute this to its weak relative performance over the last 5 months. While it has a very low score (-9), the score is inline with prior low scores. In other words, on a standard deviation basis, the low score is well within the recent norm.
- Conversely, XLK is decently oversold despite a score of near zero. Zero is not a bad score but it is well below its prior elevated scores.
- QQQ and DIA are both oversold, attesting to relative strength in SPY. In the same vein, the bulk of the market outperformed the recent market leaders. These include small cap, mid cap, and even value. Note RSP, equally weighted S&P, is now one standard deviation overbought.
- Bonds are dead. With record low volatility in bonds we should not expect to garner much value in this analysis.
- Included below is a graph showing the Excess Performance of the Sectors and Markets/Factors versus SPY. Note that over the last 20 days, XLK ranked 19th out of 22 in relative performance. XLE has been the worst performer across almost all time frames.

**Graphs (Click on the graphs to expand)**



	Excess Return vs SPY				Rank Excess Return (1-22)			
	5 Day	10 Day	20 Day	35 Day	5 Day	10 Day	20 Day	35 Day
XLP	-1.41%	2.33%	6.55%	-5.42%	20	2	1	18
XLU	0.75%	0.01%	2.54%	-4.87%	11	9	6	14
XLV	0.99%	-0.62%	2.12%	0.37%	8	14	11	5
XLRE	4.31%	2.80%	-0.49%	-6.24%	1	1	21	20
XLB	-1.90%	-2.26%	2.47%	1.18%	21	21	7	3
XLI	0.22%	-0.85%	2.03%	-3.76%	14	16	12	13
XLC	0.84%	-0.99%	1.51%	-2.45%	9	17	14	10
XLF	-1.03%	-0.56%	2.22%	-7.58%	19	13	9	21
XTN	-0.15%	-3.70%	1.18%	-5.05%	17	22	17	16
XLK	2.41%	0.00%	0.00%	0.00%	2	10	19	7
XLE	-3.49%	-2.19%	-5.40%	-17.47%	22	20	22	22
XLY	0.55%	0.98%	2.89%	0.36%	13	7	5	6
VG	-0.01%	-0.70%	1.21%	-5.31%	16	15	15	17
SL	2.41%	2.06%	3.43%	-1.46%	3	3	2	8
ML	1.41%	1.35%	3.22%	-1.90%	6	5	3	9
RSP	0.63%	0.14%	2.21%	-3.69%	12	8	10	12
MTUM	1.82%	-0.40%	1.94%	3.76%	5	12	13	1
TLT	0.81%	1.74%	2.25%	-2.95%	10	4	8	11
QQQ	2.18%	-0.19%	1.20%	2.33%	4	11	16	2
DIA	-0.53%	-2.15%	-0.47%	-5.83%	18	19	20	19
EEM	1.04%	1.07%	3.05%	0.95%	7	6	4	4
EFA	0.22%	-1.03%	0.29%	-4.95%	15	18	18	15

The ETFs used in the model are as follows:

- Staples XLP
- Utilities XLU
- Health Care XLV
- Real Estate XLRE
- Materials XLB
- Industrials XLI
- Communications XLC
- Banking XLF
- Transportation XTN
- Energy XLE
- Discretionary XLY
- S&P 500 SPY
- Value IVE
- Growth IVW
- Small Cap SLY
- Mid Cap MDY
- Momentum MTUM
- Equal Weighted S&P 500 RSP
- NASDAQ QQQ
- Dow Jones DIA
- Emerg. Markets EEM
- Foreign Markets EFA
- IG Corp Bonds LQD

- High Yield Bonds HYG
- Long Tsy Bonds TLT
- Med Term Tsy IEI
- Mortgages MBB
- Inflation TIP