



## Relative Value Sector Report 5/29/2020

The Sector Relative Value Report provides guidance on which industries or sectors are likely to outperform or underperform the S&P 500.

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

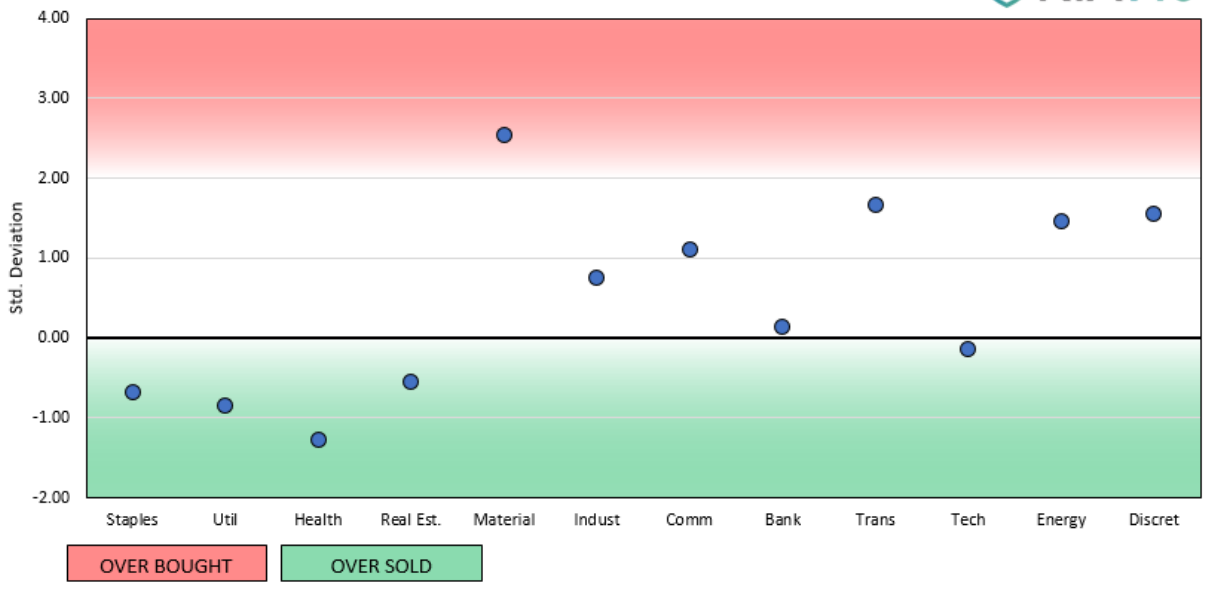
*This report is just one of many tools that we use to assess our holdings and decide on potential trades. Just because this report may send a strong buy or sell signal, we may not take any action if it is not affirmed in the other research and models we use.*

### Commentary

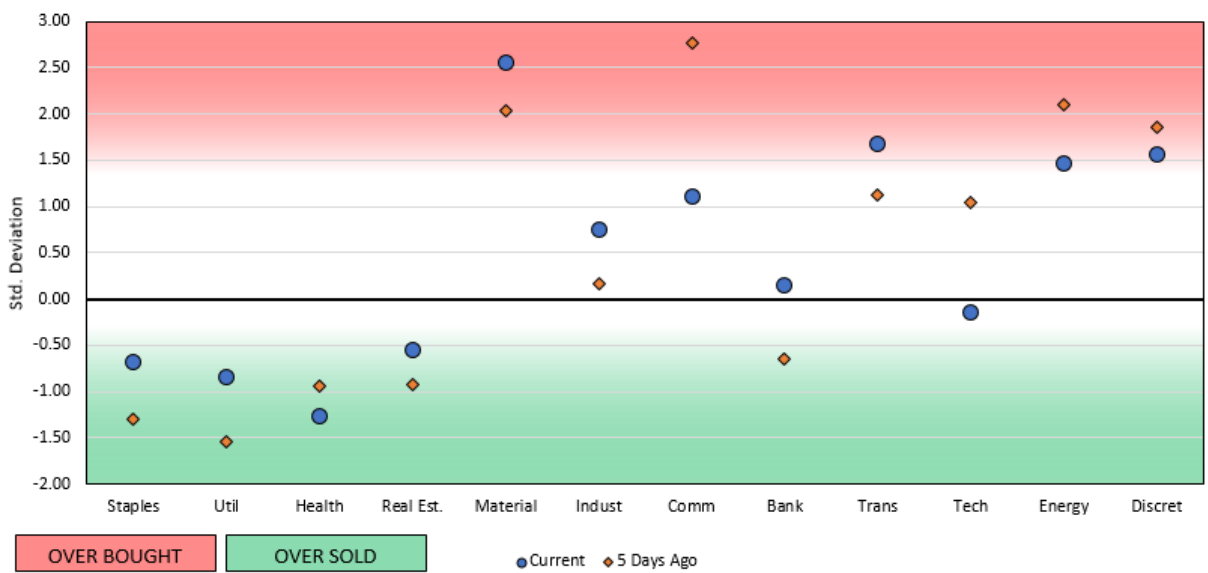
- The most notable trade over the last week was a rotation from Technology and Communications into some of the more beaten-down sectors. As a result, XLK is now a slight bit oversold, and XLC is not nearly as overbought versus the S&P 500.
- Of the "beaten down" sectors, banks, materials, industrials, and transportation stocks are all in overbought territory. Transportation (XTN) and materials (XLB) are worth watching for underperformance versus the market.
- While not displayed below, both small-caps and mid-caps made strong relative moves versus the S&P 500 over the past two weeks. This plays on a similar theme where investors are rotating in cheaper sectors.
- The healthcare sector is currently the most oversold with the potential to outperform.
- This past week we added to our Utility stock holdings as we also believe they will outperform.
- The R-squared on the sigma/20 day excess return scatter plot declined to .65 as there is a growing divergence between technical scores and expected performance.

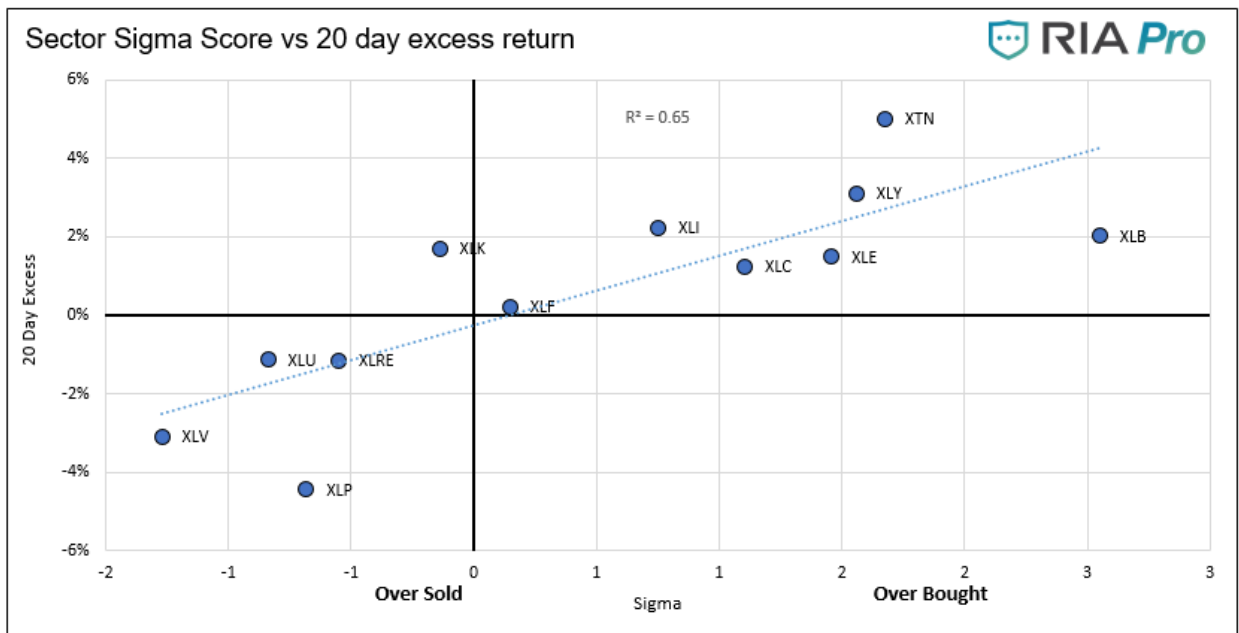
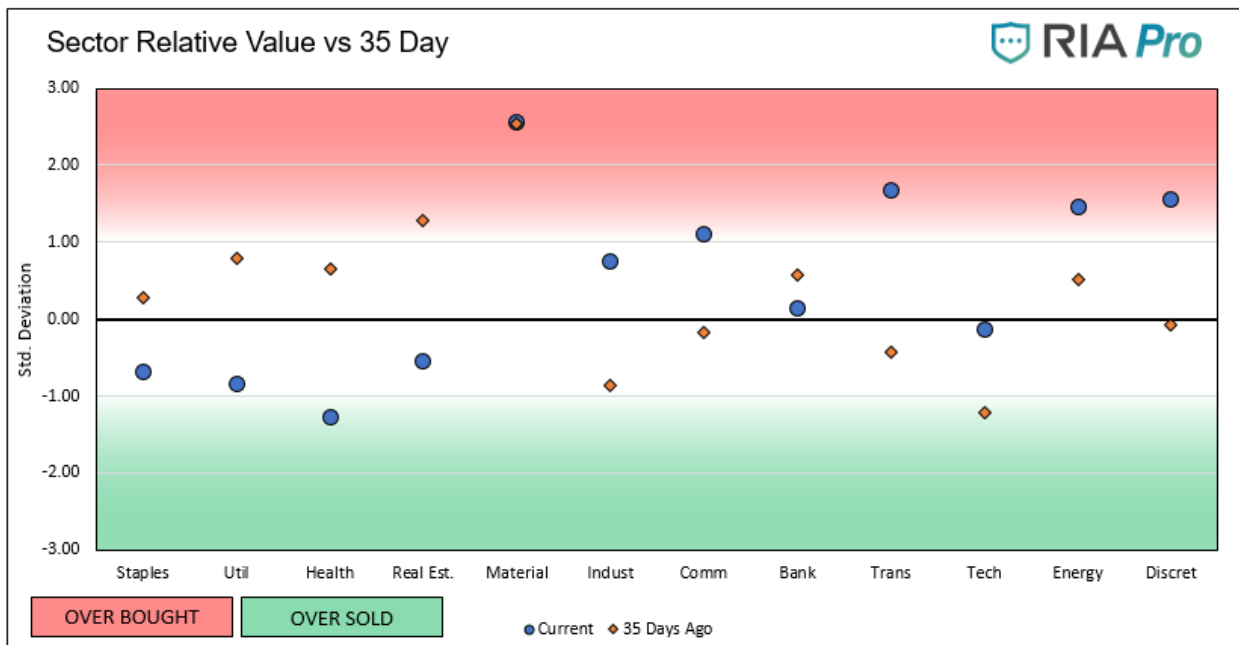
### Graphs

### Sector Relative Value



### Sector Relative Value vs 5 Day





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