Relative Value Report 6/25/2020

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This week?s report uses data through Wednesday?s closes instead of Thursday.

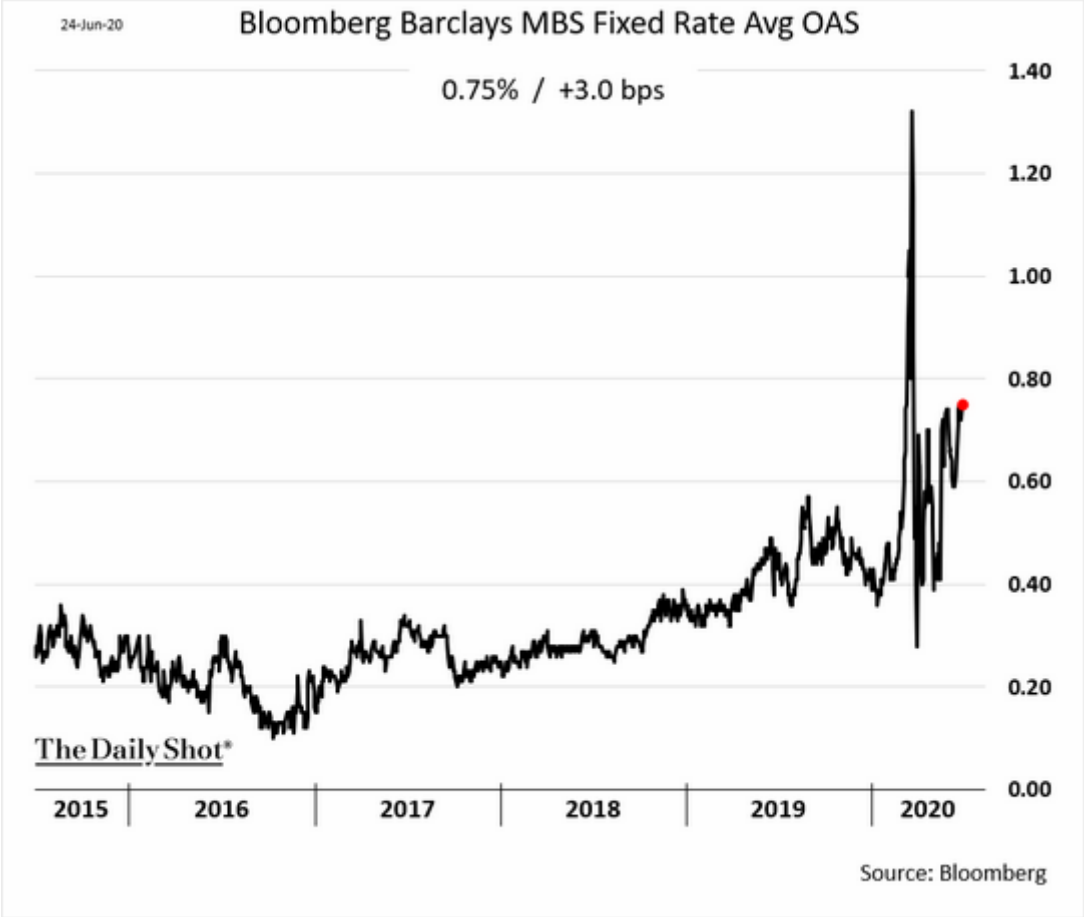
The Relative Value Report provides guidance on which sectors, indexes, and bond classes are likely to outperform or underperform its appropriate benchmark.

Click on the **Users Guide** for details on the model?s relative value calculations as well as guidance on how to read the model?s graphs.

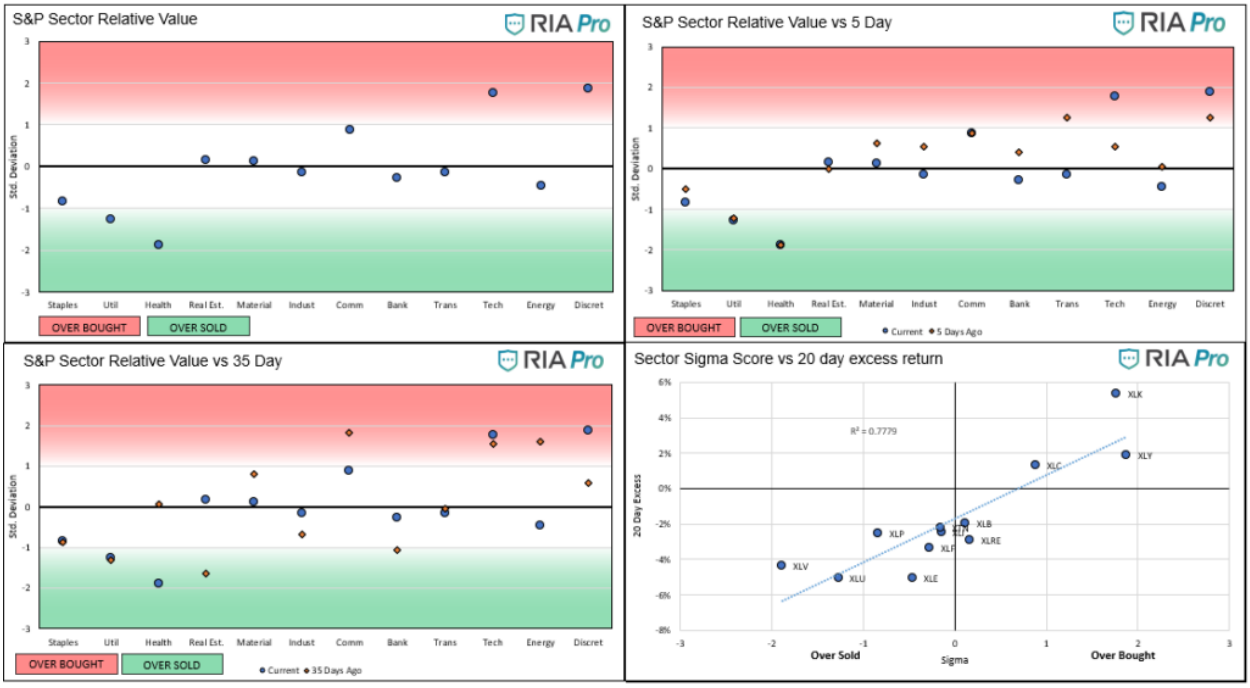
This report is just one of many tools that we use to assess our holdings and decide on potential trades. Just because this report may send a strong buy or sell signal, we may not take any action if it is not affirmed in the other research and models we use.

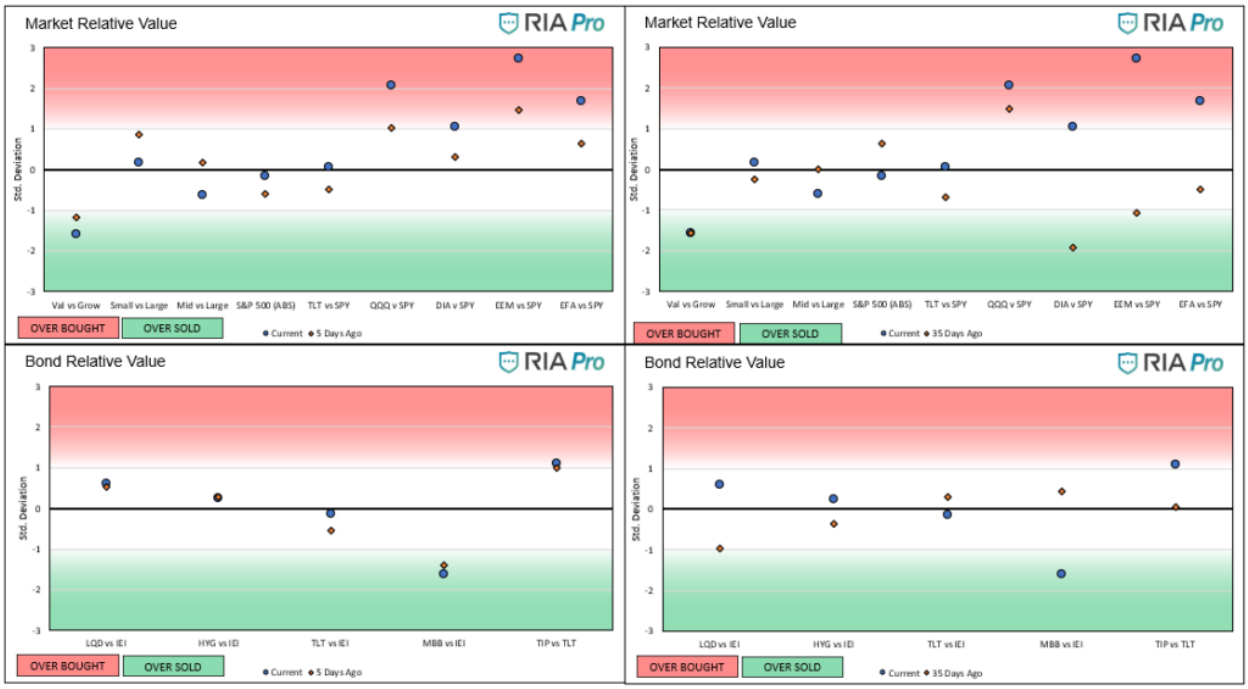
Commentary

- Most sectors continue to sit around fair value versus the S&P. The outliers are Healthcare, which remains the most oversold sector, and Discretionary and Tech, which moved to overbought this past week.
- Emerging Markets are now well into overbought territory and joined to a lesser degree by Foreign Developed markets and the NASDAQ.
- Value versus Growth is the only oversold market sector.
- Mortgages are the only oversold fixed income sector. Despite the Fed?s massive QE efforts, the spread of MBS to U.S. Treasuries has been widening. We included a graph below to provide context for the spread.
- The other fixed-income sectors, including TLT, are close to fair value versus their appropriate benchmark.
- The R-squared on the sigma/20 day excess return (Sectors) scatter plot improved to .7779. The high correlation represents a sharp improvement versus the prior few weeks.



Graphs (Click on the graphs to expand)





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
- 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